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京元電子股份有限公司
The Testing Industry Benchmark

2019 Annual Report

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Taiwan Stock Exchange Market Observation Post System: http:// mops.twse.com.tw/
Official website of King Yuan Electronics Co., Ltd. at http://www.kyec.com.tw/

I. Company spokesman and Deputy spokesman

Name: Logan Chao, Aaron Chang

Title: CFO, Division Head

Telephone: (03)575-1888

E-mail: invest@kyec.com.tw

II. Addresses and telephone numbers for Headquarters, Branch offices and Factories

Headquarters: No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.

Telephone: (03)575-1888

Branch offices: No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.

Telephone: (037)595-666

Branch offices: No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.

Telephone: (037)980-188

Factories: No. 81, Sec. 2, Gongdaowu Rd., Hsin Chu, Taiwan, R.O.C.

Telephone: (03)575-1888

No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.

Telephone: (037)595-666

No. 8, Tongke N. Rd., Tongluo Township, Miao-Li County, Taiwan, R.O.C.

Telephone: (037)980-188

III. Share administration agency:

Name: Share Registration Agency Service Department, Horizon Securities Co., Ltd.

Address: 3F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.

Website: www.honsec.com.tw

Telephone: (02)7719-8899

IV. CPAs for the most recent Independent External Auditor's Report

Name of accountant: Shao-Pin Kuo, Wen-Fun Fuh

Name of CPA firm: Ernst & Young

Address: 9F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.

Website: www.ey.com

Telephone: (02) 2757-8888

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

VI. Company website: www.kyec.com.tw

Contents

Letter to Shareholders

Ladies and gentlemen:

In 2019, under the influence of global political and economic uncertainties and rapid changes in customer demand, the Company’s operating revenue growth still significantly beat the negative growth in the global semiconductor industry, and coupled with higher profitability, the Company has achieved outstanding overall operating performance. The Company’s business status is described as follows.

Business Plan Implementation Results

I. The consolidated net revenue was NT$25.54 billion in 2019, which grew by 23% from 2018. Gross margin reached 27.5%, which grew by 2% compared with 2018. After-tax earnings per share was NT$2.49, up 69% from 2018.

II. The semiconductor industry was affected by the slowdown in the global economy and the US-China trade war and tech war in 2019. In the first half of 2019, sales of 4G mobile phones, data centers and cloud servers were shy of estimates amid weak memory prices. In the second half of 2019, sales of the industrial and automotive electronic products declined, while sales of the semiconductor industry eventually dropped by double-digits in 2019. However, the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up profitability for the Company’s subsidiary in China. In 2019, KYEC’s operating performance was significantly better than its peers and was favored by investors.

III. In terms of various indicators of the Company's operations and management, the Company has improved its market share for packaging and testing outsourcing, indirect personnel productivity, cost control and R&D innovation. Other sections, such as human resources, customer service and manufacturing, still require strengthening and improvement.

IV. In response to the impact of the US-China tech war, customers requested rapid capacity expansion of the manufacturing supply in China in 2019. The Company has invested a massive amount of resources in the short term to expand the capacity of its subsidiary in China. The Company's assembly center also had great improvement with efforts in 2019. The Company has a close relationship with its IDM customer, and plays a significant role in its customer’s market share.

V. In addition, in the advent of artificial intelligence, the Company has promoted various projects on smart manufacturing, which were completed as scheduled for better production efficiency, quality standards, simplified operating processes, logistics automation, streamlined labor and better management capabilities.

VI. In recent years, the company has gradually implemented the ESG "Environmental

Sustainability," "Social Engagement," "Corporate Governance," and "Corporate Commitment" in response to corporate sustainability issues and has been audited by various professional certification bodies on a regular basis.

Financial income and profit analysis

As the powerful always lead in the global semiconductor industry, the revenue of the Company's top ten customers accounted for more than 60% of total sales in recent years, with an upside growth potential. Therefore, the Company's operating working capital has also expanded alongside rising customer needs for capacity expansion and increasing corporate scale.

Regarding the Company's financial status and profitability in 2019, debt ratio has increased slightly compared with that in 2018. Long-term funds to fixed assets declined slightly with increasing plant and equipment. However, as the cost for obtaining domestic funds is quite reasonable, the Company has a large cash position, good credit and sound financial structure with its use of financial leverage. Although the current ratio and quick ratio have decreased compared with 2018, the Company's annual interest expenditures range between NT$300-400 million, which is quite a small amount. The earnings before interest, taxes, depreciation, and amortization (EBITDA) is sufficient, with strong short-term debt-paying ability. In terms of profitability, the return on assets, return on equity, net profit margin, and after-tax earnings per share are all higher compared to those in 2018. The financial ratios are as follows:

	2019	2018
Debt ratio (%)	52.43	48.00
Long-term funds to fixed assets (%)	125.03	129.35
Current ratio (%)	175.81	233.72
Quick ratio (%)	158.68	200.52
Return on assets (%)	6.44	4.43
Return on equity (%)	11.99	7.24
Net profit margin (%)	11.91	8.62
After-tax earnings per share (NTD)	2.49	1.47
EBITDA (NT$ million)	11,285.99	9,320.94
EBITDA-to-sales (%)	44.19	44.78

R&D status

In addition to factory management, the competitive advantage of integrated circuit testing plays a key role in the technology, costs, methods, platform output, and quality of testing. The Company self-owned more than thousands of test machines and nearly 400 sets of Burn-in oven. The test platform covers mixing / logic, image sensing IC, radio frequency IC, driver IC, SOC digital IC, memory IC and micro-electromechanical systems (MEMS) IC, in order to provide customized services in wafer testing and finished product testing. The Company also continues on R&D and self-manufacturing of test platform interface, test software development, test card, load board, sorting machine and key components, which will then be put into production.

For future research and development, the Company continues to accelerate on the plans set up by the R&D Center. The Company will focus more on expanding the selection by multiple specifications of analog / memory test equipment, increasing the number of platform test channels, the precision of the test machine DPS power supply, the solution for the thermal effect of ultra-high frequency, and improving the burn-in system and energy efficiency of highly efficient burn-in oven.

Current business plan overview

I. Weighing opportunities in the market, the Company has set new record levels for revenue, with annual revenue growth projected to be greater than the average operating income of the global semiconductor industry. Profitability may reach record highs over the past decade.

II. The Company has further raised various operational indicators of business management for internal sustainable development.

III. Various projects and ESG activities of smart factories are continuously promoted to increase corporate competitiveness in the long term.

IV. Dedicated efforts on the operating and management capacity of its subsidiary in China after capacity expansion, in order to connect with the capacity of the parent company in Taiwan.

V. Manage capital expenditures and investment efficiency, as well as improving the average utilization rate of machines.

VI. The Company is able to maintain its top competitive advantage thanks to the R&D technology breakthrough in its self-owned equipment.

Future development strategy

The impact of US-China trade war and tech war will not easily subside, while the semiconductor industry in China is bound to grow. Innovative business models will not be easily created in the field of semiconductor OEM. Therefore, the Company's future development strategy is still focused on the following aspects.

I. Continuously improving core management indicators of the manufacturing supply chain for more disciplined and detailed management.

II. Focusing on customers, profit, and growth. Ensuring customer satisfaction and continue on creating profitability and pursuing healthy growth.

III. Strengthening the company's unique differentiated service capabilities and reinvesting profits in R&D and innovation in order to gain more competitive advantage than its competitors.

IV. Deepening the market share of existing customers in the outsourcing of packaging and testing, cultivate new customers, and obtain IDM outsourcing orders.

V. Keep in line with the subsidiary's layout of in the semiconductor manufacturing supply chain in China, as well as shifts of customer capacity and the local market opportunities from the parent company to the subsidiary.

VI. With an open attitude, we cooperate with upstream and downstream customers in strategic cooperation or joint development, so that the Company can quickly gain its position as of the top semiconductor packaging and testing industries in the world.

The effect of external competition, the legal environment, and the overall business environment

According to WSTS estimates in November 2019, the global semiconductor market in 2019 reached US$409 billion, which declined by 12.8% compared with that in 2018, the largest decline within the past decade. In 2020, global semiconductors are expected to grow by 5.9% to US$433 billion. This is mainly driven by products including 5G infrastruction, 5G smartphones, networking components, components of image sensors, AI and machine learning, ultra-high definition technology, edge computing, storage, data centers and autonomous driving/ADAS.

The global economy has gradually declined since the US-China trade war in 2018. According to the International Monetary Fund (IMF) in January 2020, the global economy had declined to 2.9% in 2019. This was due to the trade war between the US and various countries, as well as geopolitical tensions, which led to a decline in corporate investment and manufacturing amid negative growth in the service industry. Trade and manufacturing are expected to rebound from its trough in 2020, with global economic growth estimated to reach 3.3%, whereas the outlook for economic growth remains fragile.

In terms of the external competition, the upstream and downstream of the semiconductor industry have been continuously split and merged in the past decade. There are dozens of mergers of large-scale IC design companies, and the scale of surviving customers have been increasing. In addition, the brands of terminal software and hardware products are also concentrated in a few oligopolistic firms, with a concentrated manufacturing supply chain. Firstly, in the development of the front-end wafer plant for IC manufacturing, the Company has dedicated efforts on improving its technology and production efficiency with existing investments in processes and equipment. Secondly, the Company challenges the limits of Moore's Law by investing in the nanoscale process of node miniaturization. High-end processes have been concentrated on TSMC and Samsung. The existing IDM companies are asset-light, and has outsourced non-core businesses to professional foundries. With the evolution of technology, IC products become more complicated and diversified and customer service requirements become more differentiated. Under the same environment, IC packaging and testing processes are also facing challenges. In terms of packaging, advanced packaging processes include WLCSP, SiP, InFo, CoWos, 3D SOIC, Fan-out SiP, AiP, and heterogeneous packaging. In terms of testing, the large-scale SOC, high power, low current, high frequency, SLT, biological fluid, high power burn-in, parallel test, and OTA (Over-the-Air) interface test are all on track with the recent development.

Therefore, the development of product manufacturing supply chain in the semiconductor industry gradually diverts into high-end and low-end products. The demand for high-end product manufacturing supply chain depends on the engineering techniques, complex mass production experiences and ultra-high quality requirements. The Company's semiconductor supply chains are mainly concentrated in Taiwan. The manufacturing demands in low-end product supply chains are transferred to China in consideration of low costs and quick delivery. The form of competition which only the dominant firms may be profitable in the global semiconductor industry remains unchanged.

In terms of the legal and overall business environment, there has recently been no major changes in laws and regulations. However, the means of the US in boycotting Chinese technology, the risk of irrational decision-making from global populism and stagnant cross-strait relations have led to recent uncertainties. In the future, the reorganization of global supply chain and the speed of semiconductor manufacturing supply chain shifts will depend on the customers' market development status.

For the overall economy in 2020, global economic growth will continue to face various problems. The phase two trade deal between the US and China will be more challenging, while trade disputes between the US and the EU and France remain unresolved. The Brexit has led to uncertainties in the business environment. The Fed and the ECB have cut interest rates, and restarted the quantitative easing scheme. Whereas in Asia, the US and Japan have officially signed a new trade agreement. Meanwhile, we also need to pay attention to the trade dispute between Japan and South Korea, as well as the development speed of regional trading agreements (such as CPTPP, RCEP). In addition, China and India, the two countries with the most number of population, have tightened their credit standards, with further decline in economic growth, which may affect the economy of other emerging markets as well. The future global consumer demands and economic growth are worth monitoring given low inflation, low interest rates, low economic growth, low unemployment rate, high debt, the quantitative easing and the expansionary fiscal policy.

Looking forward to 2020, although China's rise has become a threat to the US on its position in the global economy, science, technology, military, politics or space hegemony. The two countries are recently at war, while the spread of COVID-19 in the first half of 2020 has dragged down production output and consumption and several demands may be changed or delayed. However, upholding the dream of scientific and technological progress to achieve a comfortable, convenient, healthy and safe lifestyle, the main drivers for consumption growth are no longer software and hardware products that stimulate demands, but the application of technology in face of changes in life and the ecological environment. Therefore, the electronic terminal hardware (such as mobile devices), software (such as App, edge computing), the messaging network architecture that connects cloud storage and computing, and commercial operation in cloud computing, all contribute to the prosperity of the semiconductor industry support. In the second half of 2020, semiconductor fabs will accelerate their manufacturing processes. Although the production capacity of high and low-end products will remain tight, various needs of networking equipment, AI, IoT, and the ecological environment driven by 5G can gradually be met with the launch of the 5G technology. In the future, with the development of health care, smart homes, smart cities, smart factories, industry 4.0, autonomous driving, AI popularization, Fintech, and the block chain economy, many unexpected innovative applications may be developed in the world. Although the growth of semiconductors has slowed down in the life cycle, it will gradually grow for the long term.

The Company will continue to invest in talent cultivation, engineering and technical capabilities, management of the scale and manufacturing of equipment, and pay attention to corporate sustainability in response to the global ESG development. Despite difficult challenges in the internal and external environment, the Company believes that as long as it focuses on adding value for its manufacturing supply chain, establishing an irreplaceable position for supplying global customers, continuously adjusting corporate structure, maintaining its competitive advantages and respond effectively to changes, and continuously moving ahead without forgetting its original objective. The Company is deeply confident and optimistic on its revenue and profit growth, as well as the future development of the semiconductor industry in 2020.

Director & Chairman: Chin-Kung Lee

President: An-Hsuan Liu

One. Company profile

I. Date of incorporation: May 28, 1987

II. Corporate history:

1987	May	Incorporated at No. 15, Lane 576, Sec. 1, Guangfu Rd., Hsinchu City officially, with the authorized capital in the amount of NT$7 million and paid-in capital in the amount of NT$7 million.
1990	February	Capital increase by NT$2.5 million in cash and the Company's capital increased to NT$9.5 million.
1994	July	Capital increase by NT$11 million in cash and the Company's capital increased to NT$20.5 million.
1995	October	Capital increase by NT$9.5 million in cash and the Company's capital increased to NT$30 million.
1996	July	Added logical reasoning test operations.
	September	Capital increase by NT$20 million in cash and the Company's capital increased to NT$50 million.
1997	May	Capital increase by NT$40 million in cash and the Company's capital increased to NT$90 million.
	July	Added memory test operations.
	September	Capital increase by NT$80 million in cash and the Company's capital increased to NT$170 million.
	December	Received ISO9002 certification.
1998	January	Completed the construction of Zhao-Nan Factory and started mass production.
	February	Capital increase by NT$180 million in cash and the Company's capital increased to NT$350 million.
	August	Capital increase by NT$199.75 million in cash and by recapitalization of retained earnings, and the Company's capital increased to NT$549.75 million.
	September	Capital increase by NT$100.25 million by recapitalization of capital surplus, and the Company's capital increased to NT$650 million.
	December	Capital increase by NT$50 million in cash and the Company's capital increased to NT$700 million.
1999	March	Commenced the construction of KYEC Headquarters on Gongdaowu Rd., Hsinchu City.
	May	Approved to engage in the public offering of stock by Securities and Futures Bureau, Ministry of Finance, and also reported to TWSE for the pre-listing tutoring.
	July	Capital increase by NT$293.75 million in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT$993.75 million.
	August	Established Optoelectronic Products Division, and adjusted the organization.
	October	Acquired a lot of land on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	December	Capital increase by NT$250 million in cash and the Company's capital increased to

		NT$1.24375 billion.
2000	March	Commenced the construction of Chunghua 1st Factory.
	July	Capital increase by NT$1.38850446 billion in cash and by recapitalization of retained earnings and capital surplus, and the Company's capital increased to NT$2.63225446 billion.
		Completed the construction of KYEC Headquarters and officially opened the Headquarters.
	December	The application for listing of stock was approved by TWSE.
2001	January	The listing of stock was approved by Securities and Futures Bureau, Ministry of Finance.
	March	Completed the construction of Chunghua 1st Factory and activated the Factory officially.
	May	Traded stock on TWSE officially.
	July	Capital increase by NT$1.73446768 billion by recapitalization of capital surplus, the Company's capital increased to NT$4.36672214 billion.
	August	Passed the ISO9000, TL9000 and QS9000 certification.
	October	Established the branch company in Chu-Nan Township.
2002	April	Issued the overseas convertible bonds in the amount of US$120 million.
	December	The special shareholders' meeting passed the motion for private placement and re-election of one director, and SPIL occupied one seat of director accordingly.
2003	February	Passed ISO14001 for environmental management certification and OHSAS18001 for occupational safety and health management certification.
		Completed the motion for private placement, and the Company's capital increased to NT$5.56871604 billion.
2004	January	Issued the overseas convertible bonds in the amount of US$100 million.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$7.54955164 billion.
2005	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$9.07897897 billion.
	December	Commenced the construction of Chunghua 2nd Factory.
2006	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$10.89670967 billion.
		Completed the construction of Chunghua 2nd Factory.
2007	April	Commenced the construction of Chunghua 3rd Factory.
		Acquired a lot of land occupied an area of 5,588 square meters on Chunghua Rd., Chu-Nan Township, Miaoli County for the factory construction project.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to

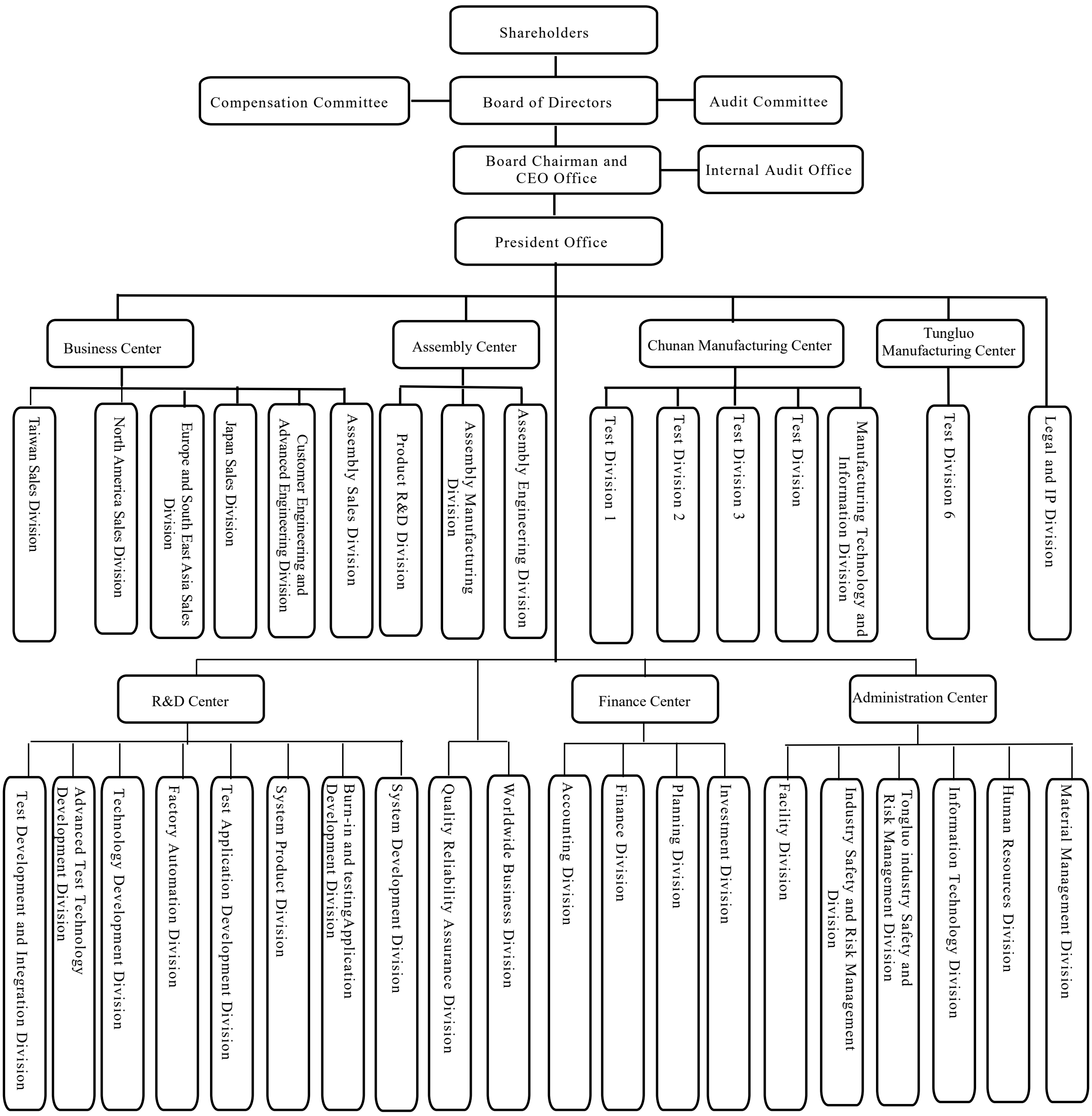
		NT$12.14696675 billion.
	December	Passed ISO14064 for international GHG management accreditation.
		Completed the construction of Chunghua 3rd Factory.
2008	February	Commenced the construction of Chunghua 4th Factory.
	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.80854009 billion.
	September	Completed the construction of Chunghua 4th Factory.
	November	Passed OHSAS18001:2007 for revision certification.
		Passed TOSHMS certification.
2009	August	Capital increase by recapitalization of retained earnings, and the Company's capital increased to NT$12.59735576 billion.
	December	Passed ISO14001, OHSAS18001 and TOSHMS for annual follow-up audit.
2010	October	Issued the overseas convertible bonds in the amount of US$40 million.
	December	Passed ISO14001/OHSAS18001/TOSHMS for annual follow-up audit.
2011	October	Honored as the excellent factory for cleaner production in TSMC Center-Satellite system.
2012	December	Passed TOHMAS for conversion into CNS15506:2011.
		Chunghua Factories passed the AEO safety accreditation.
2013	February	Commenced the construction of Tong-luo Factory for Stage 1.
	February	Completed the construction of Tong-luo Factory for Stage 1.
2014	December	Commenced the construction of Tong-luo Factory for Stage 2.
2015	December	Chu-Nan Factory was honored as the excellent entity for “Low Carbon Action Award” conferred by Environmental Protection Administration, Executive Yuan.
2016	January	Completed the construction of Tong-luo Factory for Stage 2.
	April	Tong-luo Factory for Stage 1 received the “Green Building-Bronze Medal” awarded by Ministry of Interior.
	July	Issued the overseas convertible bonds in the amount of US$50 million.
		Purchased green power and awarded the “2016 Green Power Logo” by Ministry of Economic Affairs.
	October	Tong-luo Factory received the “Green Power Factory Label” awarded by Industrial Development Bureau, Ministry of Economic Affairs.
	November	Received the excellence award for the “2015 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
		Chu-Nan Factory passed ISO50001 for energy management accreditation.
2017	September	Purchased green power and awarded the “Green Power Logo” by Bureau of Energy, Ministry of Economic Affairs.
	November	Honored as the excellent entity for “2016 Green Procurement” awarded by Environmental Protection Administration, Executive Yuan. Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2016 Green Procurement

		Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
		Tong-luo Factory passed ISO50001 for energy management accreditation.
2018	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park.
	December	Received the excellence award for the “2017 Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.
2019	November	Received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park. Honored as the excellent entity for “2018 Green Procurement” awarded by Environmental Protection Administration, Executive Yuan.
	December	Received the excellence award for the “2018Green Procurement Implemented by Private Enterprises and Groups” conferred by Environmental Protection Bureau of Miaoli County Government.

Two. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Departmental Business Operations

Board Chairman and CEO Office	Responsible for the decision-making of the Group's overall operations.
President Office	Establish the Company's business objectives and strategies, take charge of the Company's business plans and annual business policy, establish the Company's quality policy, and communicate coordinate with and supervise the Company's departments/divisions.
Internal Audit Office	Responsible for setting up the Company's internal control system, formulating and implementing the annual audit plan, preparing an audit report after it has conducted an audit, reporting audit deficiencies and anomalies, follow-up and improvement, regularly report audits to the Independent Directors and the Audit Committee, of which reports are then submitted to the Board of Directors.
Business Center (Including Taiwan Sales Division, North America Sales Division, Europe and South East Asia Sales Division, Japan Sales Division and Customer Engineering and Advanced Technology Engineering Division, assembly Sales Division)	Responsible for verifying the market condition, plan the merchandising in domestic/overseas markets, conclude sales contracts, provide forecasts to ensure delivery conditions which ensure the satisfaction of production schedule with customers' demand, and proceed with annual marketing plans and customized engineering solutions and new product introduction services, etc.
Chunan Manufacturing Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 1	Responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality; Provide customers with outstanding test environment and test quality.
Test Division 2	Responsible for such processing operations as wafer fabrication, grinding, cutting, selection and testing; control

	the production, delivery date and quality required under purchase orders; improve production technology, and establishment of standard operating procedures; assess, introduce and maintain production equipment, jigs, knives and measuring tools; responsible for supervising and assessing various departments' performance.
Test Division 3	Responsible for supervising and assessing logical reasoning test and mixed signal test of finished IC goods; responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
Test Division 5	Provide tests of finished IC goods and burn-in services: responsible for supervising and assessing various departments' performance; control the production to meet the shipping requirements; test and burn-in technology development and introduction; control product quality.
Manufacturing Technology and Information Division	Plan, design and develop the automation equipment and manufacturing management information systems required by various business divisions' production process, and provide any support required by the production process to upgrade the output.
Tongluo Manufacturing Center	Establish and execute the business plans of Tong-Luo Factory to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Test Division 6	Provide customers with chips and IC test services; control the production to meet the shipping requirements; test technology development and introduction; control product quality.
R&D Center	Plan and execute R&D strategies, integrate and control R&D resources, integrate cross-group R&D projects, and lead the key R&D programs.
Test Development and Integration Division	Evaluation, development, and mass production of new products for image sensors of new customers. Development and integration of new testing technology for image sensors and test applications for proprietary test machines; provides customers with comprehensive test

	solution, mass production service, and assists in the resolution of engineering problems on the production line.
Advanced Test Technology Development Division	Take charge of PCB design, manufacturing and stimulation technology, development and research of new test technology, develop system diagnostic technology, produce the automatic test programs and develop conversion systems, and design and manufacture new test machine interface.
Factory Automation Division	Creation and implementation of test environment; research and development of technologies needed to produce key components and perform specialized tests.
Test Application Development Division	Applying self-manufactured test equipment to provide customers with comprehensive IC test solutions. Planning and designing a customized test environment for differentiated test services to match with special test conditions.
System Product Division	Self-make test machine, produce and maintain Burin-in Oven, and the development platform for mass production of parts to improve the stability of production lines.
Burn-in and testing Application Development Division	Applying the self-developed burn-in machine to design customized systems and programs based on customer specifications, and provide a comprehensive and high-quality burn-in process.
System Development Division	Research and development of self-made test machine and high power burn-in machine system/equipment, and focusing on the functional expansion/upgrade of self-made test machine.
Technology Development Division	Responsible for the planning, design, production and development of automated equipment needed to support production activities of various business divisions; provides support and output enhancement for the production process.
Administration Center	Integrate the Group’s administrative resources and support the Group's operation to seek maximum interest for the Company at the lowest cost.
Facility Division	Responsible for planning, constructing and maintaining the facilities at factory premises.
Industry Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations.
Tongluo Industry Safety and Risk Management Division	Responsible for assessing risk over factory premises and planning/executing EHS operations at Tong-luo Factory premises.

Information Technology Division	Responsible for planning, implementing, reviewing and improving the Company's information system, and safeguarding and supervising the short-term, mid-term and long-term information systems.
Human Resources Division	Responsible for establishing, reviewing and revising the Company’s HR development and general affairs plans.
Material Management Division	Responsible for procuring of raw materials and supplies and equipment, warehousing & logistics and import and export management, and bonding for the Company.
Quality Reliability Assurance Division	Coordinate the product quality upgrading, establish quality strategies, improve quality systems, control company documentation, conduct quality activities, serve as an analysis and calibration laboratory for equipment and instruments, and manage supplier quality.
Finance and Accounting Center	Formulate financial strategies for the Company and the Group, plan related affairs such as finance, accounting, investment, corporate governance, corporate communication, and maintain relationships with the media.
Planning Division	Responsible for relationship management and communication with institutional investors, media relations, public affairs and coordination of cross-department projects.
Accounting Division	Comprehensive management of the Company's tax planning, budgeting, account settlement, customer credit management, fixed asset management and operations and cost analysis.
Finance Division	Responsible for matters including comprehensive management of the Company's stock affairs and corporate governance, working capital finance and schedules, and financial risk management.
Investment Division	Assessment and management of long and short-term strategic investments.
Legal Affairs and IP Division	Oversees legal affairs, including management of contractual arrangements, patents and other intellectual property rights, litigations etc.
Worldwide Business Division	Assess and review the feasibility of overseas investment plans and plan and execute the same, coordinate the operational resources to support overseas business and the overseas units to which colleagues are dispatched, act as the coordination and contact person with overseas companies, execute business policies and objectives.

Assembly Center	Establish and execute the business plans to achieve profitability and turnover objectives; responsible for the financial and operational results; responsible for maintaining fair relationships with key customers and partners; promote and execute the customer demand to practice the promotion and execution of projects in the production lines; balance the vision and business purposes.
Product R&D Division	Responsible for the development and implementation of new packaging machinery, development of new products/technologies, layout design and assessment/introduction of new suppliers.
Assembly Manufacturing Division	Plans, executes and monitors progress of the production schedule; develops standardized operating guidelines and operational environment needed to deliver excellent and timely packaging service; responsible for improving production efficiency and supervising accomplishment of performance targets.
Assembly Engineering Division	Responsible for the planning, assessment and implementation of new packaging process and equipment purchase; responsible for making improvements to packaging yield, output, production process and use of materials to deliver customers' requirements toward the quality of packaging service.

II. Information on Directors, Presidents, Vice Presidents, and managers of each department and division

(I) Information on Directors

Attachment 1

April 12, 2020

Title (Note 1)	Nationality or Place of Registration	Name	Gender	Date of Election (Appointment)	Term (years)	First elected date	Shareholding when elected		Current Shares held		Shareholdings of spouses or children when elected		Shareholdings under another		Experience (Education)	Concurrent positions in the Company and in other companies	Spouse or relatives of the second degree or closer acting as directors or department heads			Remarks
							Shares	Shareholdings Ratio (%)	Shares	Shareholdings Ratio (%) (Note 2)	Shares	Shareholdings Ratio (%) (Note 2)	Shares	Shareholdings Ratio (%)			Title	Name	Relationship	
Chairman	ROC	Chin-Kung Lee	Male	2017.06.08	3	1996.09.25	33,142,941	2.83	34,000,941	2.78	4,263,053	0.35	-	-	Bachelor President of King Yuan Electronics Co., Ltd.	CEO Director and Chairman of KYEC Investment International Co., Ltd. Director and Chairman of KYEC Technology Management Co., Ltd. Director and Chairman of KYEC Microelectronics Co., Ltd. Sino-Tech Investment Co., Ltd. Director and Chairman Director and Chairman of Strong Outlook Investments Limited Director and Chairman of King Long Technology (Suzhou) Ltd. Director and Chairman of Suzhou Zhen Kun Technology Ltd. Independent Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company	N/A	N/A	N/A	Note 3
Vice-Chairman	ROC	Chi-Chun Hsieh	Male	2017.06.08	3	1999.04.20	5,302,037	0.45	5,552,037	0.45	567,120	0.05	-	-	Bachelor	Doctor and Superintendent of Xiang An clinic	N/A	N/A	N/A	N/A
Director	ROC	An-Hsuan Liu	Male	2017.06.08	3	2014.06.12	1,050,000	0.09	1,200,000	0.10	-	-	-	-	PhD President of Intematix Technology Center Corporation	President Director and Chairman of KYEC USA Corp. Director and Chairman of KYEC SINGAPORE PTE. LTD. Director and President of King Long Technology (Suzhou) Ltd. Director and President of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A	N/A
Director	ROC	Kao-Yu Liu	Male	2017.06.08	3	2011.06.15	4,808,267	0.41	4,808,267	0.39	2,394,054	0.20	-	-	PhD	Director and Chairman of LC Architecture Realization Company, Inc Director and Chairman of Ji Ze Construction Development Corp.	Director	Chen Kuan-Hua	Brother in law	N/A
Director	ROC	Kuan-Hua Chen	Male	2017.06.08	3	2008.06.13	3,168,574	0.27	3,168,574	0.26	1,173,496	0.10	-	-	Masters in Financial Engineering, Carnegie Mellon University	Director of Weikeng Industrial Co., Ltd.	Director	Liu Kao-Yu	Spouse's brother	N/A
Director	ROC	Yann Yuan Investment Co., Ltd	-	2017.06.08	3	2017.06.08	37,500,000	3.20	52,600,000	4.30	-	-	-	-	-	-	N/A	N/A	N/A	N/A
		Representative: Chao-Jung Tsai	Male	2017.06.08	3	2017.06.08	-	-	-	-	-	-	-	-	Master CPA	President of Yann Yuan Investment Co., Ltd	N/A	N/A	N/A	N/A

															Director of ChipMOS Technologies Inc. President of SPIL Investment Co., Ltd.	Director of Reallusion Inc. Director of Mingshui International Investment Co., Ltd.				
Independent Director	ROC	Hsien-Tsun Yang	Male	2017.06.08	3	2009.06.10	-	-	-	-	2,313	0.00	-	-	Bachelor Chief Editor of China Times Express Executive Vice Chief Editor of China Times	Audit Committee and Compensation Committee member	N/A	N/A	N/A	N/A
Independent Director	ROC	Hui-Chun Hsu	Male	2017.06.08	3	2014.06.12	-	-	-	-	-	-	-	-	Master KYEC Compensation Committee member	Audit Committee and Compensation Committee member Physician and Managing Supervisor of New Taipei City Medical Association	N/A	N/A	N/A	N/A
Independent Director	ROC	Dar-Yeh Hwang	Male	2017.06.08	3	2017.06.08	-	-	-	-	-	-	-	-	PhD Professor of Department of Finance, National Taiwan University Director of Center for the Study of Banking and Finance, National Taiwan University Chair of both of Department and Institute of Finance, National Taiwan University	Independent Director of KYEC, member of Audit Committee and Compensation Committee Chairperson of McBorter AFMA Chairperson of Academy of Promoting Economic Legislation (APEL) Independent director of DBS (Taiwan) Independent Director of Chailease Holding	N/A	N/A	N/A	N/A

Note 1: In the case of an institutional shareholder, the name of the shareholder's representative shall be identified and the following form shall be completed.
Note 2: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.
Note 3: Where the chairperson of the Board of Directors and President or person of an equivalent post (the highest level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures (such as adding Independent Directors, and more than half of the directors shall not serve as concurrent employees or managers of another company, etc.) adopted in response thereto:
In order to enhance operating efficiency and decision execution, the Company's Chairman also serve as the CEO. In addition, the Chairman also closely communicates with the Company's Directors on business operations, and formulates policies to implement corporate governance. In the future, the Company plans to make Chairman exempt from serving as CEO or add Independent Directors to enhance the functions of the Board of Directors and strengthen supervision. Currently, the Company has already set up the following specific measures:
1. The current three Independent Directors are specialized in fields such as financial accounting and the semiconductor industry in order to achieve effective supervision.
2. Each Director shall participate in professional director courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim to improve the operational efficiency of the Board of Directors.
3. Independent Directors can fully discuss and make suggestions for the Board of Directors in each functional committee in order to implement corporate governance.
4. More than half of the Directors did not serve as concurrent employees or managers in the Company.

Major shareholders of institutional shareholders

2020.04.12

Name of the institutional shareholder	Major shareholders of institutional shareholders (Note)
Yann Yuan Investment Co., Ltd	SPIL Investment Co., Ltd. (32.2%), United Microelectronics Corporation (30.9%). Unimicron Technology Corp. (13.4%), King Yuan Electronics Co., Ltd. (16.8%), Sigurd Microelectronics Corporation (4.0%)

Note: The major shareholders refer to the shareholders who hold more than 10% of the Company's shares or the Company's 10 largest shareholders.

Major shareholders of institutional shareholders	Major shareholders of institutional shareholders (Note)
SPIL Investment Co., Ltd.	Siliconware Precision Industries Co.,Ltd. (100%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs(5.56%), Hsun Chieh Investment Co., Ltd.(3.50%), Silchester International Investors International Value Equity Trust(2.57%), Nan Shan Life Insurance Company, Ltd.(2.52%), Silicon Integrated Systems Corp.(2.26%), Prudential Assurance Company Ltd.(1.73%), Dimensional Emerging Markets Value Fund(1.48%), Yann Yuan Investment Co., Ltd (1.44%), Silchester International Investors International Value Equity Group Trust(1.34%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.27%)
Unimicron Technology Corp.	United Microelectronics Corporation(13.03%), Yann Yuan Investment Co., Ltd.(3.74%), Cathay Life Insurance(3.55%), New Labor Pension Fund(1.90%), HSBC (Taiwan) Bank Entrusted Goldman Sachs International Investment Account(1.79%), Public Service Pension Fund Management Board(1.38%), Vanguard Total International Stock Index Fund(1.35%), Vanguard German Emerging Markets Stock Index Fund Account(1.32%), Dimension Emerging Markets Evaluation Fund Investment Account(1.27%), ABP Retirement Fund Investment Account(1.25%)
King Yuan Electronics Co., Ltd.	Fubon Life Insurance Co., Ltd. (4.99%), New Labor Pension Fund (4.63%), Yann Yuan Investment Co., Ltd. (4.30%), Yuanta/P-shares Taiwan Dividend Plus ETF(3.28%), Chin-Kung Lee (2.78%), United Microelectronics Corporation (1.89%), China Life Insurance Co., Ltd.(1.88%), Labor Insurance Fund (1.82%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.64%), AIA International Limited-internal-Relative Asia Equity XP (1.47%)
Sigurd Microelectronics Corporation	Yann Yuan Investment Co., Ltd. (5.92%), Robeco Capital Growth Funds(3.88%), Norges Bank (2.16%), LSV Emerging Markets Equity Fund, LP (1.78%), Shin-Yang Huang (1.73%), Ming-Chun Chiu (1.43%), iShares Core MSCI Emerging Markets ETF(1.40%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.39%), Dimensional Emerging Markets Value Fund (1.35%), Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (1.35%)

Note: The latest information disclosed by various companies on company websites or MOPS.

Attached table 2

Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)												Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experience required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Chin-Kung Lee	-	-	✓	-	-	-	-	✓	-	-	✓	✓	✓	✓	✓	1
Chi-Chun Hsieh	-	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
An-Hsuan Liu	-	-	✓	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-
Kao-Yu Liu	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	-
Kuan-Hua Chen	-	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	✓	✓	-
Yann Yuan Investment Co., Ltd	-	-	NA	NA	✓	NA	NA	-	✓	✓	✓	NA	NA	✓	-	-
Representative: Chao-Jung Tsai	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	-
Hsien-Tsun Yang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note 1: A "✓" is marked in the space beneath a condition number when a director and supervisor has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

(1) Not an employee of the company or an affiliate.

(2) Not a Director or supervisor of the Company or its subsidiaries or affiliates (except an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an independent director appointed in accordance with the Act or the laws

and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(7) Not a chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (except an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (except an specified company or institution that holds 20% or more and no more than 50% of the total number of issued shares of the public company, or an independent director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the Compensation Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Is not the spouse or relative within the second degree of kinship of another director.

(11) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

(12) Has not been elected as a government unit, institution, or their representative as prescribed in Article 27 of the Company Act.

(II) Information on Presidents, Vice Presidents, Assistant Vice Presidents, and managers of each department and division

2020.04.12

Title	Nationality	Name	Gender	First Elected Date	Shareholding		Shareholdings of spouse and underage children		Shareholding under another		Education and selected past positions	Concurrent positions at other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			Remarks
					Number of Shares	Shareholding Ratio (%) (Note)	Number of Shares	Shareholding Ratio (%) (Note)	Number of Shares	Shareholding Ratio (%)			Title	Name	Relationship	
CEO	ROC	Chin-Kung Lee	Male	2011.11.28	34,000,941	2.78	4,263,053	0.35	-	-	Bachelor President of King Yuan Electronics Co., Ltd.	Director & Chairman of KYEC Investment International Co., Ltd. Director & Chairman of KYEC Technology Management Co., Ltd. Director & Chairman of KYEC Microelectronics Co., Ltd. Sino-Tech Investment Co., Ltd. Chairman Director & Chairman of Strong Outlook Investments Limited Chairman of King Long Technology (Suzhou) Ltd. Chairman of Suzhou Zhen Kun Technology Ltd. Independent	N/A	N/A	N/A	Note 2

												Director of Quang Viet Enterprise Co., Ltd. Chairman of King Ding Precision Incorporated Company				
President	ROC	An-Hsuan Liu	Male	2012.03.01	1,200,000	0.10	-	-	-	-	PhD Intematix Technology Center Corporation President	Director & Chairman of KYEC USA Corp. KYEC SINGAPORE PTE. LTD. Director & Chairman Director / President of King Long Technology (Suzhou) Ltd. Director / President of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A	N/A

Executive Vice President	ROC	Gauss Chang	Male	2006.04.25	3,051,294	0.25	146,981	0.01	-	-	Master Senior Vice President of King Yuan Electronics Co., Ltd.	Director of KYEC USA Corp. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Long Technology (Suzhou) Ltd. Director of Suzhou Zhen Kun Technology Ltd.	N/A	N/A	N/A	N/A
Senior Vice President	ROC	K.K Lee	Male	2008.11.03	4,469,000	0.37	108,000	0.01	-	-	Bachelor Vice President of King Yuan Electronics Co., Ltd.	Supervisor of King Long Technology (Suzhou) Ltd. Director of Fix-Well Technology Co. Ltd. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A	N/A
Senior Vice President	ROC	Steven Chang	Male	2011.11.28	1,712,182	0.14	-	-	-	-	Master Vice President of King Yuan Electronics Co., Ltd.	Supervisor of Fix-Well Technology Co. Ltd. Director of King Ding Precision Incorporated Company	N/A	N/A	N/A	N/A
Senior Vice President (Note 1)	ROC	S.K. Chen	Male	2018.05.04	-	-	-	-	-	-	-	-	N/A	N/A	N/A	N/A

Vice President	ROC	Andy Liang	Male	2015.11.01	501,936	0.04	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A	N/A
Assistant Vice President and CFO	ROC	Logan Chao	Male	2016.03.02	139,740	0.01	72,214	0.01	-	-	Master Division Head of King Yuan Electronics Co., Ltd.	Supervisor of KYEC Japan K.K. Director of KYEC SINGAPORE PTE. LTD. Supervisor of King Ding Precision Incorporated Company Director of Yann Yuan Investment Co., Ltd	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Wendy Chen	Female	2016.12.05	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Hans Han	Male	2017.09.29	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Jeff Hsu	Male	2018.11.06	941	0.00	-	-	-	-	Bachelor Senior Division Head of King Yuan Electronics Co., Ltd.	-	N/A	N/A	N/A	N/A
Assistant Vice President	ROC	Chung-Wen Wang	Male	2018.11.06	-	-	-	-	-	-	Master Senior Division Head of King Yuan Electronics Co., Ltd.	Director of KYEC USA Corp.	N/A	N/A	N/A	N/A

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

Note 1: Took office as Special Assistant of the Director & Chairman's Office since August 15, 2019.

Note 2: Where the chairperson of the Board of Directors and President or person of an equivalent post (the highest level manager) of a company are the same person, spouses or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures (such as adding Independent Directors, and more than half of the

directors shall not serve as concurrent employees or managers of another company, etc.) adopted in response thereto:
In order to enhance operating efficiency and decision execution, the Company’s Chairman also serve as the CEO. In addition, the Chairman also closely communicates with the Company’s Directors on business operations, and formulates policies to implement corporate governance. In the future, the Company plans to make Chairman exempt from serving as CEO or add Independent Directors to enhance the functions of the Board of Directors and strengthen supervision. Currently, the Company has already set up the following specific measures:

1. The current three Independent Directors are specialized in fields such as financial accounting and the semiconductor industry in order to achieve effective supervision.
2. Each Director shall participate in professional director courses of external organizations such as the Securities and Futures Institute on an annual basis, in the aim to improve the operational efficiency of the Board of Directors.
3. Independent Directors can fully discuss and make suggestions for the Board of Directors in each functional committee in order to implement corporate governance.
4. More than half of the Directors did not serve as concurrent employees or managers in the Company.

III. Remuneration to Directors, Presidents and Vice presidents of the Company in the most recent year

(I) Remuneration to Directors and Independent Directors in 2019

Unit: NTD thousand

Title	Name	Remuneration to Directors								The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from concurrently servings as employees								The sum of A, B, C, D, E, F, and G to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s) or the parent company
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Service Expenses (D)				Salaries, bonuses, special allowances etc. (E)		Pension upon retirement (F)		Remuneration to employees (G) (Note)						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																Cash Amount	Stock	Cash Amount	Stock			
Chairman	Chin-Kung Lee	-	-	-	-	22,261	22,261	-	-	0.7319	0.7319	15,705	17,307	108	108	12,000	0	12,000	0	1.6463	1.6990	N/A
Vice-Chairman	Chi-Chun Hsieh																					
Director	An-Hsuan Liu																					
Director	Kao-Yu Liu																					
Director	Kuan-Hua Chen																					
Director	Representative of Yann Yuan Investment Co., Ltd.: Chao-Jung Tsai																					
Independent Director	Hsien-Tsun Yang	-	-	-	-	11,130	11,130	-	-	0.3659	0.3659									0.3659	0.3659	
Independent Director	Hui-Chun Hsu																					

Independent Director	Dar-Yeh Hwang																				

1. Please describe the remuneration policy, system, standards, and structure for Independent Directors, and the linkage of factors such as duties, risks, and period of service to the amount of remuneration: The remuneration of all Directors is based on the provisions of Articles 16 and 19 of the company's Articles of Incorporation, but currently only the compensation of directors is distributed in accordance with the provisions of Article 19 Article stipulates the payment of Directors' remuneration. At present, the total remuneration of Directors (Independent Directors) shall be in accordance with the provisions of Article 19 of the company's Articles of Incorporation and shall not exceed 1% of the profit for the year, and shall be equally distributed by each director according to the recommendations of the Compensation Committee It can be adjusted according to the company's operating performance.

2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year: N/A.

Note: Proposed allocated amount.

Breakdown of remuneration to directors (NT$)	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The Company	Companies included into the financial statement (H)	The Company	Companies included into the financial statement (I)
Below $1,000,000	-	-	-	-
$1,000,000 (inclusive) ~ $2,000,000 (exclusive)	-	-	-	-
$2,000,000 (inclusive) ~ $3,500,000 (exclusive)	-	-	-	-
$3,500,000 (inclusive) ~ $5,000,000 (exclusive)	Chin-Kung Lee Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment Co., Ltd., Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chin-Kung Lee Chi-Chun Hsieh, An-Hsuan Liu, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment Co., Ltd., Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment Co., Ltd., Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang	Chi-Chun Hsieh, Kao-Yu Liu, Kuan-Hua Chen, Yann Yuan Investment Co., Ltd., Hsien-Tsun Yang, Hui-Chun Hsu, Dar-Yeh Hwang
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)				
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	-	-	-	-
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	-	-	Chin-Kung Lee, An-Hsuan Liu	Chin-Kung Lee, An-Hsuan Liu

$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	-	-	-	-
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	-	-	-	-
Over $100,000,000	-	-	-	-
Total	9	9	9	9

(II) Remuneration to President, and Vice Presidents

Unit: NTD thousand

Title	Name	Salary (A)		Pension upon retirement (B)		Bonus and Allowances (C)		Employee remuneration (D) (Note)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from invested non-subsidiary enterprise(s) or the parent company
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash Amount	Stock	Cash Amount	Stock			
CEO	Chin-Kung Lee	28,155	29,756	612	612	8,545	8,545	30,784	0	30784	0	0	2.2388	N/A
President	An-Hsuan Liu													
Executive Vice President	Gauss Chang													
Senior Vice President	K.K Lee													
Senior Vice President	Steven Chang													
Senior Vice President (Note 1)	S.K. Chen													
Vice President	Andy Liang													

Note: Proposed allocated amount.
Note 1: Took office as Special Assistant of the Director & Chairman's Office.

Breakdown of remuneration to president and vice presidents	President and vice presidents	
	The Company	Companies included into the financial statement
Below $1,000,000	-	-
$1,000,000 (inclusive) ~ $2,000,000 (exclusive)		
$2,000,000 (inclusive) ~ $3,500,000 (exclusive)	-	-
$3,500,000 (inclusive) ~ $5,000,000 (exclusive)	S.K. Chen	S.K. Chen
$5,000,000 (inclusive) ~ $10,000,000 (exclusive)	K.K Lee, Steven Chang, Andy Liang	K.K Lee, Steven Chang, Andy Liang
$10,000,000 (inclusive) ~ $15,000,000 (exclusive)	Gauss Chang	Gauss Chang
$15,000,000 (inclusive) ~ $30,000,000 (exclusive)	Chin-Kung Lee, An-Hsuan Liu	Chin-Kung Lee, An-Hsuan Liu
$30,000,000 (inclusive) ~ $50,000,000 (exclusive)	-	-
$50,000,000 (inclusive) ~ $100,000,000 (exclusive)	-	-
Over $100,000,000	-	-
Total	7	7

(III) Names of managers entitled to employee remuneration and amount entitled

Unit: NTD thousand

	Title	Name	Stock	Cash (Note)	Total	The sum as percentage of earnings after tax (%)
Managers	CEO	Chin-Kung Lee	0	29,361	29,361	1.6354
	President	An-Hsuan Liu				
	Executive Vice President	Gauss Chang				
	Senior Vice President	K.K Lee				
	Senior Vice President	Steven Chang				
	Senior Vice President (Note 1)	S.K. Chen				
	Vice President	Andy Liang				
	Assistant Vice President	Logan Chao				
	Assistant Vice President	Wendy Chen				
	Assistant Vice President	Hans Han				
	Assistant Vice President	Jeff Hsu				
	Assistant Vice President	Chung-Wen Wang				
	Company Secretary (Note 2)	Neil Chung				

Note: Proposed allocated amount.
Note 1: Took office as Special Assistant of the Director & Chairman's Office since August 15, 2019.
Note 2: Appointed on May 3, 2019.

(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's Directors, President, and Vice Presidents, and their respective proportions to separate net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Analysis on the respective proportions of the amount of remuneration paid in the last 2 years by the Company to the Company's Directors, President, and Vice President to the net income:

Unit: NTD thousand

Year	2019				2018			
	Individual financial statement		Consolidated financial statements		Individual financial statement		Consolidated financial statements	
Title	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)	Total remuneration paid	The sum as percentage of earnings after tax (%)
Director	61,204	2.0123	62,806	2.0649	44,192	2.4615	45,856	2.5541
President, Vice President	68,096	2.2388	69,697	2.2915	55,568	3.0951	57,231	3.1877

Note: The remuneration to employees means the amount proposed to be allocated.

2. Remuneration policies, standards and packages, procedures for determining remuneration and its linkage to operating performance and future risk exposure:

According to the Company's Articles of Incorporation, the remunerations to all Directors shall commensurate with their level of participation and value of contribution to the operation of the Company with reference to industry standard, and shall be determined by the Board of Directors under authorization. From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating need and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the Board of Directors and resolved in the shareholders' meeting.

Meanwhile, the remuneration to the Company's managerial personnel shall be handled in accordance with Article 29 of the Company Act and the

Company’s Articles of Association for Compensation Committee, as required by the Company's Articles of Incorporation.

IV. Status of Corporate Governance

(I) Operation of the board of Directors

Information about operation of the Board of Directors

The Board held 7 meetings (A) in 2019. The Directors' attendance record is specified as below:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Chin-Kung Lee	7	0	100.00	
Vice-Chairman	Chi-Chun Hsieh	7	0	100.00	
Director	An-Hsuan Liu	7	0	100.00	
Director	Kao-Yu Liu	7	0	100.00	
Director	Kuan-Hua Chen	6	1	85.71	
Director	Yann Yuan Investment Co., Ltd Representative: Chao-Jung Tsai	7	0	100.00	
Independent Director	Hsien-Tsun Yang	7	0	100.00	
Independent Director	Hui-Chun Hsu	7	0	100.00	
Independent Director	Dar-Yeh Hwang	7	0	100.00	

Other items to be stated:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, Independent Directors' opinions and how the Company has responded to such opinions: No Independent Director expressed an objection or reservation.

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act;

(II) Any other resolution(s) passed but with Independent Directors voicing opposing or qualified opinions on the record or in writing.

II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director’s name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

(I) The Board of Directors meeting on March 14, 2019 discussed the motion proposed by the Company's Compensation Committee for adjustment of the salary and commission of the Company's managerial personnel in 2019. Director & Chairman Chin-Kung Lee and Director An-Hsuan Liu recused themselves from the discussion and voting for the motion, as they held the position as managerial personnel concurrently. The motion was passed by the other present Directors unanimously.

(II) The Board of Directors meeting on August 14, 2019 discussed the motion proposed by the Company's Compensation Committee for the remuneration in cash to be allocated to the employees in 2018. Director & Chairman Chin-Kung Lee and Director An-Hsuan Liu recused themselves from the discussion and voting for the motion, as they held the position as managerial personnel concurrently. The motion was passed by the other present Directors unanimously.

III. The implementation status of the evaluation of the Board:

(1) The company has approved the "The Regulation of Board Performance Evaluation" by the Board of Directors on December 27, 2019.

(2) The company has not implemented the self-evaluation or peer evaluation of the Board of Directors and individual Directors, which will be processed in accordance with the Regulation starting in 2020.

IV. An evaluation of targets for strengthening of the functions of the Board during the current and immediately preceding fiscal years:

(1) An Audit Committee was established on June 24, 2014 to assist the board of Directors in supervisory duties. The Audit Committee is organized by three Independent Directors. The chairperson of the Committee shall also report its activities and resolutions to the Board of Directors periodically.

(II) 2019 Director training:

Title	Name	Date	Organizer/ Course	Training hours
Director	Kao-Yu Liu	2019.04.26	Securities and Future Institute/ 2019 Annual Conference on Prevention of Insider Trading	3.0
Director	Kuan-Hua Chen	2019.07.17	Securities and Future Institute/ 2019 Equity Transfer by Insiders of Listed Companies and Legal Compliance	3.0
Director Legal representative	Chao-Jung Tsai	2019.08.29	Taiwan Academy of Banking and Finance/ Corporate Governance Classic Forum Series	3.5
		2019.08.29	Taiwan Corporate Governance Association/ Viewing Legal Compliance in the Financial Industry from the Trade Disputes of the US-China Trade War	3.0
Independent Director	Hui-Chun Hsu	2019.10.25	Securities and Future Institute/ 2019 Annual Conference on Prevention of Insider Trading	3.0

(II) Operation of the Audit Committee or supervisors' involvements in Board of Directors meetings:

1. Operation of the Audit Committee

The Audit Committee held 6 meetings (A) during 2019; the attendance of Independent Directors is summarized as follows:

Title	Name	Percentage of actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%)(B/A)	Remarks
Independent Director	Hsien-Tsun Yang	6	0	100.00	Convener and Chairperson
Independent Director	Hui-Chun Hsu	6	0	100.00	-
Independent Director	Dar-Yeh Hwang	6	0	100.00	-

Other items to be stated:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, Audit Committee's resolution and the Company's resolution of Audit Committee's opinions:

(I) Conditions described in Article 14-5 of the Securities and Exchange Act

Board of Directors meeting date/session	Motion	Resolution of the Audit Committee The Company's Resolution	Company's response to Audit Committee opinions Audit Committee's Opinions
January 11, 2019 13-13	1. Amendments to the "Procedures for the Acquisition or Disposal of Assets"		Approved by all attendees of the Audit Committee with no objection
	2. Acquisition of real property		Approved by all attendees with no objection
March 14, 2019 13-14	1. Approval of the 2018 Declaration of Internal Control System		Approved by all attendees of the Audit Committee with no objection
	2. Provide endorsement/guarantee for the subsidiary Suzhou Zhen Kun Technology Ltd.	Approved by all attendees with no objection	
	3. Independence and suitability assessment for the financial statement auditor		
	4. The separate financial statement and consolidated financial statements 2018		
May 3, 2019 13-15	1. Provide endorsement/guarantee for the subsidiary Suzhou Zhen Kun Technology Ltd.	Approved by all attendees of the Audit Committee with no objection	
	2. Amendment of the "Internal Control System" and "Implementation Rules of Internal Audit"		
June 28, 2019 13-16	1. Provide endorsement/guarantee for the subsidiary Suzhou Zhen Kun Technology Ltd.	Approved by all attendees of the Audit Committee with no objection	
	2. Amendment of the Operational Procedures for Loaning of Company Funds		
	3. Amendment of the Operational Procedures for Guarantees/Endorsements		
August 14, 2019 13-17	1. Provide endorsement/guarantee for the subsidiary Suzhou Zhen Kun Technology Ltd.	Approved by all attendees of the Audit Committee with no objection	
November 8, 2019 13-18	1. Provide endorsement/guarantee for the subsidiary Suzhou Zhen Kun Technology Ltd.	Approved by all attendees of the Audit Committee with no objection	
	2. Approval of 2020 audit plan		
	3. Approval of 2019 audit remuneration		

(II) Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two thirds of the board of Directors: N/A.

II. In instances where an Independent Director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: N/A.

III. Communication between Independent Directors and internal auditing officers as well as CPAs (such as items discussed, means of communication and results on the Company's finance and business, etc.):

(I) The Company's internal auditing officers communicate with Independent Directors on the audit report results periodically, and report the internal audit at the Audit Committee meeting per quarter. The internal auditing officers will report any special condition to the Audit Committee immediately. The communication between the Company's Audit Committee and internal auditing officers is fair.

(II) The CPAs reports their audit on the Company's financial position to the Audit Committee from time to time, and would report any special condition to the Audit Committee immediately. The communication between the Company's Audit Committee and CPAs is fair.

2. Supervisors' participation in the function of Board of Directors: N/A.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies

Scope of Assessment	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles" for TWSE/TPEx Listed Companies?"	ˇ		The Company has established its "Corporate Governance Best-Practice Principles" to fulfill its responsibility as a business owner and to protect its shareholders' legal interest and right and attend to any other stakeholders' interest.	Consistent with Corporate Governance Best-Practice Principles.
II. Equity structure and shareholders' equity				
(I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	ˇ		The Company's spokesman would process said problems. Meanwhile, the Company entrusts the professional stock service agent to process the stock service affairs.	Consistent with Corporate Governance Best-Practice Principles.
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	ˇ		The Company controls the same based on the roster of shareholders provided by the stock service agent.	As above.
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	ˇ		The Company and its affiliates have established their internal control systems and have the parent company supervise the systems. Meanwhile, each affiliate has also set up its own firewall.	As above.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	ˇ		In order to guide Directors and managerial personnel to act in line with the ethical standards and enable the Company's stakeholders to better understand the Company's ethical standards, the Company established the "Codes of Ethical Conduct", as updated and promoted from time to time.	As above.

III. The organization of Board of Directors and its duties				
(I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	ˇ		The composition of the Company's Board of Directors members focuses on diversified elements, and the members hold the profession, skills and literacy required to perform their functions.	Consistent with Corporate Governance Best-Practice Principles.
(II) Whether the company, in addition to establishing the Compensation Committee and Audit Committee, pursuant to laws, is willing to establish any other functional committees voluntarily?		ˇ	The Company will do so, if necessary.	-
(III) Does the company establish a standard to measure the performance of the Board, implement it annually and submit the results to the board of Directors as reference for the remuneration of individual Directors and the nomination of candidates?	ˇ		The Company has established the "Procedures for the Board of Directors' Performance Evaluation" on December 27, 2019. The scope of the evaluation covers the board performance as well as the performance of individual Directors and functional committees. The methods of evaluation include self-evaluation by individual board members, evaluation by appointed external professional institutions, experts, or other appropriate methods. The criteria for evaluating the performance of board of Directors covers the following five aspects: 1. Participation in the operation of the Company. 2. Improvement of the quality of the board of Directors' decision making. 3. Composition and structure of the board of Directors. 4. Election and continuing education of the Directors. 5. Internal control The Company's board of Directors conducts the internal board performance at the end of each year to be used as reference for future election or nomination of Directors.	As above.
(IV) Are external auditors' independence assessed on a regular basis?	ˇ		EY Taiwan, responsible for certifying the Company's financial statements is a domestic large-scale CPA firm, which is used to auditing the Company's financial position in accordance with laws and regulations independently. The motion for appointment of the external auditors has been resolved and passed by the Company's Audit Committee. The Committee also evaluated the external auditors' independence.	As above.

IV. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)?	ˇ		The company has appointed the stock affairs manager Neil Chung as the company secretary by resolution of the board of Directors on May 3, 2019, in order to safeguard shareholders' rights and strengthen the functions of the board of Directors. The main responsibilities of the company secretary are to handle matters related to the meetings of the board of Directors and shareholders' meetings in accordance with relevant laws, provide the minutes of the board of Directors and shareholders' meetings, assist the Directors and Independent Directors on continuous training, provide the information on Directors and Independent Directors for conducting their duties in accordance with relevant laws and regulations.	Consistent with Corporate Governance Best-Practice Principles.
V. Does the Company have established a communication channel for the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	ˇ		For the "CSR Report" prepared by the Company and stakeholder-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the directory "Stakeholders and Concerned Issues - Stakeholder Communication" under "Stakeholders and Concerned Issues" and "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
VI. Does the Company have commissioned a professional stock service agent to handle shareholders affairs?	ˇ		The professional stock service agent, "Horizon Securities", is appointed by the Company to process the stock service affairs on behalf of the Company.	Consistent with Corporate Governance Best-Practice Principles.

VII. Information disclosure (I) Has the company established a website that discloses financial, business, and corporate governance-related information?	ˇ		The related information is disclosed on the Company's website at http://www.kyec.com.tw/.	Consistent with Corporate Governance Best-Practice Principles.
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	ˇ		The Company discloses related information on MOPS in accordance with the Regulations Governing Disposition of Public Information, and provides related information on the Company's website. The Company has set up the website in English version. Also, it appoints the spokesman, and dedicated personnel responsible for collecting and disclosing the Company’s information.	As above.
(3) Does the company announce and report the annual financial statement within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements and monthly operations reports within the prescribed period of time?	ˇ		The Company has approved the annual financial statements of 2019, which has been earlier than stipulated time for half a month. Also, the Company discloses the first, second, and third quarters and monthly operation status within stipulated time. All information is disclosed on the company's website to improve the transparency of information, so that investors can immediately understand the company's operating results.	As above.

VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of Directors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's Directors and supervisors)?	ˇ		Since the Company was incorporated, the Company has upheld the management philosophy dedicated to creating mutual benefits and pursuing maximum interest for its shareholders, employees and customers, et al. For the employees' interest, the Company is dedicated to building a health and safe working environment and an unhindered communication channel for its employees. The Company established the Employees' Welfare Committee on September 2, 1993 to engage in planning various employees' welfare policies. Meanwhile, it also provides the pension reserves and concludes labor-management agreements in accordance with the Labor Standard Act. The Company treats its employees in good faith and respectfully, and stabilize the employees' life and improve the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. For continuing education of the Directors, the Company also follows the "Model Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" promulgated by TWSE. The Company has purchased the liability insurance for its Directors. For the "CSR Report" prepared by the Company and stakeholders-related issues, please visit the Company's website at: http://www.kyec.com.tw/.	Consistent with Corporate Governance Best-Practice Principles.
IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: The Company already reviewed the corporate governance assessment report of 6th term. In the future, it will aim to strengthen the disclosure of information on the Company's website as the first priority, and will continue to strengthen the reporting on related information in English version and upgrade the transparency of information for domestic/foreign investors' reference. Meanwhile, the Company will also continue to upgrade the assessment indicators about the non-discrimination toward shareholders, strengthen the structure and operation of the Board of Directors and amendments thereto.				
Note: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.				

(IV) Disclose the composition, responsibilities, and functioning of Compensation Committee, if available

Members of the Committee are appointed under the resolution of the board of Directors. The Committee comprises 4 persons, one of whom is appointed as the convener. Responsibilities of the Committee are to set and regularly review performance evaluation and compensation policies, systems, standards, and structures applicable to Directors and managers, and regularly assess and determine Directors' and managers' compensation.

Information about Compensation Committee members

Position (Note 1)	Qualification / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 2)										Number of positions as a Compensation Committee member in other public listed companies	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Work experience in business, law, finance, accounting, or other areas required for the operation of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Hsien-Tsun Yang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Hui-Chun Hsu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Dar-Yeh Hwang	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Others	Chung-Chi Huang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please specify director, Independent Director or others.

Note 2: Please tick the "✓" if members meet any of the following conditions during the two years before being elected or during the term of office.

(1) Not an employee of the company or an affiliate.

(2) Not a director or supervisor of the Company or its subsidiaries or affiliates (except an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the Company's total outstanding shares, nor is one of the Company's ten largest natural-person shareholders.

(4) Not a manager listed in (1), nor a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in (2) and (3).
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (except an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
(6) Not a majority of the Company's director seats or voting shares and those of any other company controlled by the same person: a director, supervisor, or employee of that other company (except an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
(7) Not a chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (except an Independent Director appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
(8) Is neither a director, supervisor, manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company.
(9) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
(10) Is not a person of the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.

Information concerning the Compensation Committee

1. The Company's Compensation Committee of 3rd term consists of four 4 members.

2. Duration of service: June 19, 2017 to June 07, 2020.

The Compensation Committee held 3 meetings (A) in 2019; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Convener	Hsien-Tsun Yang	3	100.00	Convener and Chairperson
Member	Hui-Chun Hsu	3	100.00	-
Member	Dar-Yeh Hwang	3	100.00	-
Member	Chung-Chi Huang	3	100.00	-

Other items to be stated:

I. Where the Board may not accept or revise the recommendations of the Compensation Committee, specify the date and the instance of the Board session, and the content of the motions, the resolution of the Board, and the response to the opinions of the Compensation Committee: N/A.

II. For resolution(s) made by the Compensation Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the company's handling of the said opinions: N/A.

III. Resolutions of the Compensation Committee objected to by members or expressed reservations and the response to members' opinions are as follows:

Term/ Date	content	resoultion	Company's response
3-5 2019.03.14	1. 2018 remuneration of Directors 2. Adjustment of the remuneration of manager	Approved by all attendees of the Committee with no objection	Approved by all attendees of the Board no objection
3-6 2019.05.03	1. Proposed distribution of the 2018 remuneration of Directors	Approved by all attendees of the Committee with no objection	Approved by all attendees of the Board no objection
3-7 2019.08.14	1. Proposed distribution of the 2018 remuneration of manager	Approved by all attendees of the Committee with no objection	Approved by all attendees of the Board no objection

(V) Fulfillment of corporate social responsibility and deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons

Scope of Assessment	Status (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary	

I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and set up relevant risk management policies or strategies?	ˇ		For the "CSR Report" prepared by the Company and stakeholder-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the directory "Corporate Governance - Corresponding Risk Mitigation Strategies" and "Stakeholders and Concerned Issues - Management Policies and Target Performance of Material Aspects" under "Stakeholders and Concerned Issues" and "Report" to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
II. Does the company establish exclusively (or concurrently) dedicated first line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	ˇ		Already designated the dedicated (part-time) body for promotion of the corporate social responsibility - Administrative Center.	Consistent with Corporate Governance Best-Practice Principles.

III. Environmental issues (I) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	ˇ		In order to promote the SHE, the Company complies with the domestic SHE laws and regulations, and also implements the SHE management system in line with the international standards. The Company also passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management at the same time in 2002 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed ISO14064 for international GHG management system certification in 2007. Passed TOSHMS certification in 2008. Chu-Nan Factory passed ISO50001 energy management system certification in 2016, and Tong-luo Factory was included into the scope of certification in 2017. It was converted into ISO50001: 2018, and the packaging factory was included into the scope of certification in 2019.	Consistent with Corporate Governance Best-Practice Principles.
(II) Whether the Company endeavors to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	ˇ		The Company is dedicated to solving problems at the source and progressively improving the utilization rate of various resources to reduce raw material input and waste output and minimize its impact on the environment.	As above.
(III) Does the company assess the impact of climate change on potential risks and opportunities and establish response strategies related to climate change?	ˇ		The Company passed the ISO14064 international GHG management system certification in 2007. Meanwhile, the Company appoints SGS to continue the GHG inventory-taking and certification, and the energy-saving and carbon-reduction activities each year.	As above.
(IV) Does the company inspect greenhouse gas emissions, water consumption, and total waste in the past two years, and formulate policies for energy conservation and reduction in carbon emission, greenhouse gas emission, and water consumption, or other waste management policies?	ˇ		In addition to obtaining the ISO14064 international greenhouse gas management system certification in 2007, the Company formulates energy-saving projects every year, of which the performance is reviewed by top-level management on a regular basis.	As above.

IV. Social issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	ˇ		The Company complies with the related labor laws and regulations and respects the basic labors' human rights principles recognized internationally. The appointment/dismissal of employees and remuneration to the employees are handled in accordance with the Company's related systems and management regulations to protect the employees' basic interests and rights.	Consistent with Corporate Governance Best-Practice Principles.
(II) Does the Company formulate and implement reasonable employee welfare measures (including compensation, paid annual leave, and other benefits), and set appropriate employee compensation to reflect operating performance or achievements?	ˇ		Conducted the employees' performance evaluation each year as the basis for remuneration to employees and promotion and career development planning for the employees. Combine the reward & punishment to employees, performance and raise, based on the level of remuneration applicable in the same trade.	As above. As above. As above.
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	ˇ		The Company conducts health checkups and various health promotion activities for employees every year, providing care and health education for employees with abnormal health conditions.	As above.
(IV) Does the company provide its employees with career development and training sessions?	ˇ		The Company has established the regulations governing educational training systems applicable to the various levels. The Company will also fulfill and organize annual training plans each year.	As above.
(V) Does the Company comply with relevant laws and international standards on customer health and safety, customer privacy, marketing and labeling of products and services, and has formulated relevant consumer protection policies and complaints and appeals procedures?	ˇ		Not applicable and, therefore, no related consumer protection policy or complaints procedure needs to be established.	
(VI) Does the Company formulate supplier management policies that require suppliers to follow regulations related to environmental protection, occupational safety and health, or labor and human rights and its implementation?	ˇ		For the "CSR Report" prepared by the Company and supplier-related issues, please visit the Company's website at http://www.kyec.com.tw/, "CSR", and click the directory under "CSR Report" to access related contents.	

5. Does the Company disclose non-financial information with reference to GRI Standards or CSR Guidelines? Does the aforementioned report obtain confidence or assurance from the outsourced party?	ˇ		For the “CSR Report” prepared by the Company concerning the preparation criteria and assurance / confidence, please visit the Company’s website at http://www.kyec.com.tw/, “CSR”, and click the directory “Report - Preparation Standards” under “Report” to access related contents.	Consistent with Corporate Governance Best-Practice Principles.
VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company complies with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”.				

VII. Other important information to facilitate better understanding of the Company‘s corporate social responsibility practices:

(I) The Company values the energy management, environmental protection and occupational safety & health areas very much. Hsinchu Factory and Chunan Factory have won the “Five-Star Award” for labor safety and health from Council of Labor Affairs, Executive Yuan successively in 2010 and 2013. In order to fulfill the Company's corporate social responsibility, the Company participates in the adoption of peripheral roads by Chu-Nan Factory each year. The Company is used to promoting the effective resource utilization voluntarily. In 2015, the Company was honored as the excellent entity for the “Low Carbon Action Award” by Environmental Protection Administration, Executive Yuan. In 2018, the Company's factory premises received the “Badge of Accredited Healthy Workplace” from Health Promotion Administration. In 2019, Chunan Factory and Tongluo Factory were honored as the excellent entities for "2018 Green Procurement" by the Environmental Protection Bureau of Miaoli County, and Chunan Factory was honored as the excellent entity for “2018 Green Procurement” awarded by Environmental Protection Administration, Executive Yuan. Tongluo Factory for Stage 1 received the “Green Building-Bronze Medal” awarded by Ministry of Interior in 2016, and received the excellence award in “Landscaping and Environmental Maintenance Competition” organized by Hsinchu Science Park in 2017, 2018 and 2019.

(II) The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about discharge of pollutants in the process of production. Meanwhile, the management value the various pollution prevention works very much. The various inspections all comply with the governmental laws and regulations. Already passed the ISO14001 for environmental management (converted into ISO14001:2015 in 2017) and OHSAS18001 for occupational safety and health management at the same time in 2008 and, therefore, became the first company which passed the back-end certification by both systems in Taiwan at the same time. Passed TOSHMS certification in 2008. Chunan Factory passed ISO50001 energy management system certification in 2016, and Tongluo Factory was included into the scope of certification in 2017. It was converted into ISO50001: 2018, and the assembly factory was included into the scope of certification in 2019.

(III) The Company responds to the multiple employment plans prepared by the government. It received the “Employment Creation Contribution Award” for the agricultural and industrial group awarded by Ministry of Economic Affairs and Council of Labor Affairs, Executive Yuan on November 30, 2010. Meanwhile, the Company establishes the Employees’ Welfare Committee, implements the pension system, organizes various employees’ training programs and group insurance, arranges periodic health check-ups and values the harmonious labor-management relationship. The Company also works with local schools actively. For the time being, it is working with the schools including National Kaohsiung University of Science and Technology, National Yunlin University of Science and Technology, National Changhua University of Education, National United University, National Quemoy University, Chaoyang University of Technology, National Formosa University and Yu Da University of Science and Technology, et al. The Company not only fulfills its social responsibility but also trains professional human resources. It has been 12 years since the Company adopted the industry-academia cooperation, and a total of 1,592 persons were involved in the industry-academia cooperation already.

(IV) For social participation, the Company established the kind heart club. The Company takes care of the disadvantaged groups, care the independent-living elderly, participates in community activities and actively sponsors various activities organized by city/county governments as its mission and philosophy. It will also set up the public welfare booth in large-scale activities of the Company each year and work with various public welfare groups in some bazaar. It makes no effort to boost the fund-raising activities organized by the public welfare groups. At the same time, it hopes to fulfill its corporate social responsibility therefor.

(V) For the “CSR Report” prepared by the Company, please visit the Company’s website at http://www.kyec.com.tw/, “CSR”, and click the directory under “Report” to access related contents.

Note 1: If you select "Yes", please explain the major policies, strategies, measures and its implementation status; if you select "No", please explain the reasons and describe future policies and strategies.

Note 2: Where the Company has prepared a Corporate Social Responsibility Report, the operating status thereof may be replaced by the index page number to the CSR report instead.

Note 3: The materiality principle refers to those who have a significant influence on investors and other stakeholders in environmental, social and corporate governance issues.

(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Scope of Assessment	Status (Note)			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Summary	
I. Enactment of ethical management policy and program (I) Whether the Company has set up the ethical policy by resolution of the Board of Directors, expressly states the ethical policy and its fulfillment by the Board of Directors and the management in its Articles of Incorporation and public documents?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	Consistent with Corporate Governance Best-Practice Principles.
(II) Does the company establish appropriate precautions against high potential unethical conducts, with analysis and assessments on business activities of high potential unethical conducts, and formulates a prevention plan stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	As above.
(III) Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary & complaining systems for misconduct, and also implements the policy precisely?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	As above.

II. Implementation of ethical management (I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart?	ˇ		The Company shall take into consideration the legitimacy of its agents, suppliers, customers or other business trading counterparts and whether they are involved in any unethical activities before engaging in transactions, in order to avoid engaging in transactions with unethical ones. The agreements/contracts concluded by the Company with its agents, suppliers, customers or other business trading counterparts shall include the ethical corporate management policy and the clauses providing that the agreements/contracts shall be rescinded or terminated where the trading counterparts are involved in any unethical activities.	Consistent with Corporate Governance Best-Practice Principles.
(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? Does the Company report policies to the Board on a regular basis (once a year) to prevent conflicts of interest and provide proper statement channels?	ˇ		The Company has appointed the President Office as the dedicated unit subordinated to the Board of Directors responsible for establishing and supervising the execution of ethical corporate management policies and preventive measures, taking charge of various matters and reporting to the Board of Directors periodically.	As above.
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	Consistent with Corporate Governance Best-Practice Principles.
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	ˇ		In order to help the Company establishes the enterprise culture for ethical corporate management and well-found its development to prove the reference framework for fair business model, the Company has established its own "Ethical Corporate Management Best-Practice Principles".	As above.
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	ˇ		The Company will promote the ethical management via the employees' education training program or at meetings from time to time.	As above.

III. Status of the Company's complaint system (I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation? (II) Has the company implemented any standard procedures, subsequent measures or confidentiality measures for handling reported misconducts? (III) Has the Company provided proper whistleblower protection?	ˇ ˇ ˇ		The Company has set up the employee's message board, opinion mailbox and hotline dedicated to accepting the complaints from employees. The cases are accepted by Human Resource Division and invested privately. The Company has established certain procedure to protect confidentiality and anonymity of the complainant's identity and, therefore, there is no need for the complainant to fear revenge.	Consistent with Corporate Governance Best-Practice Principles. As above. As above.
IV. Enhancing Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	ˇ		The Company has set up the website to disclose and update related business information periodically. The Company has set up the website in English version. Also, it appoints the spokesman, and dedicated personnel responsible for collecting and disclosing the Company's information.	Consistent with Corporate Governance Best-Practice Principles.
V. Has the Company established its own ethical business best practice principles based on "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company complies with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Companies".				
VI. Other important information help the better understanding of the Company's ethical corporate management (e.g. review and amendments on the ethical corporate management best-practice principles established by itself): The Company has established its own "Ethical Corporate Management Best-Practice Principles".				
Note: Regardless of "Yes" or "No", the status shall be stated in the "Summary" section.				

(VII) If the company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company has established its own "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best-Practice Principles", "Codes of Ethical Conduct" and "Corporate Social Responsibility Best-Practice Principles".

Please see:

Market Observation Post System Website: http://mops.twse.com.tw/ and

KYEC Website: http://www.kyec.com.tw/csr/csrreport.aspx

(VIII) Disclosure of other information enabling better understanding of the Company's corporat governance: N/A.

(IX) Implementation of the internal control system

1. Declaration of Internal Control System: as below.
2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A.

Declaration of Internal Control System

Date: March 13, 2020

The following declaration had been made based on the 2019 self-assessment of the Company's internal control system:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Regulations"). Criteria introduced by "The Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.

IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.

V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period ended on 2019.12.31 of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.

VI. This Statement of Declaration will be the major content of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

VII. This declaration was passed unanimously without objection by all 9 Directors present at the board meeting dated March 13, 2020.

King Yuan Electronics Co., Ltd.

Director & Chairman: Chin-Kung Lee (Signature)

President: An-Hsuan Liu (Signature)

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the prospectus publication date, where the result of such penalty could have a material effect on shareholder equity or securities prices, the prospectus shall disclose the penalty, the main shortcomings, and the condition of improvement: N/A.

(XI) Important resolutions made by the board of Directors' meeting during the current fiscal year and up to the date of printing of the annual report

1. Shareholders' Meeting

The Company's 2019 general shareholders' meeting was organized at Zhongshan Hall of Toufen City Office, Miaoli County on June 6, 2019. The motions resolved by the shareholders attending the meeting are summarized as following:

Date	Session	Important resolution
2019.06.06	Annual Meeting of Shareholders	※ The motion for business report and financial statements 2018 was ratified. ※ The motion for allocation of earnings 2018 was ratified. Execution: Approved the motion for setting the base date for allocation of cash dividend on July 24, 2019, and the cash dividend was allocated on August 16, 2019. (The cash dividend was allocated as NT$1.35 per share) ※ Passed amendments to the Company's "Operating Procedures for Acquisition or Disposition of Assets." Implementation status: Already disclosed at the MOPS on June 18, 2019 and implemented in accordance with the amended procedures.

2. Board of Directors meeting

The Company has held 8 Board of Directors meetings in 2019 and up to the date of publication of this annual report. The important motions passed upon resolution are summarized as following:

Date	Session	Important resolution
2019.01.11	Board of Directors' meeting	※ Passed amendments to "Procedures for the Acquisition or Disposal of Assets." ※ Approved the motion of capital expenditure in 2019. ※ Passed acquisition of real estate property. ※ Passed adjustments to the structure of Chinese investments.

2019.03.14	Board of Directors' meeting	※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approved the motion for the Company's 2019 budget. ※ Approved the motion for assessment on independence and competency of CPAs. ※ Approved the separate financial statement and consolidated financial statements 2018. ※ Approved the Company's 2018 business report. ※ Approved the motion for allocation of earnings in 2018. ※ Passed the change of accounting estimates from the 2019 financial year. ※ Approved the motion for allocation of remuneration to employees in 2018 and the motion proposed by Compensation Committee for the remuneration to Directors in 2018. ※ Approved the motion for organization of the Company's 2019 general shareholders' meeting at Zhongshan Hall of Toufen City Office, Miaoli County on June 6, 2019 (Thursday).
2019.05.03	Board of Directors' meeting	※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approved the amendment of "Internal Control System" and "Implementation Rules of Internal Audit". ※ Approved the "Standard Operating Procedures for Processing Requests Made by the Directors of the Board" and appointed the corporate governance manager.
2019.06.28	Board of Directors' meeting	※ Approved the date of dividend distribution. ※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approved the amendment of the Operational Procedures for Loaning of Company Funds ※ Approved the amendment of the Operational Procedures for Guarantees/Endorsements
2019.08.14	Board of Directors' meeting	※ Approved the motion for making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approved the motion for the Company's 2020 budget. ※ Approved the adjustment in personnel matters.
2019.11.08	Board of Directors' meeting	※ Approved the amendment of making endorsement/guarantee for the subsidiary, Suzhou Zhen Kun Technology Ltd. ※ Approval of 2020 audit plan. ※ Approved the motion for the external auditor's professional fees in 2019.
2019.12.27	Board of Directors' meeting	※ Approved the 2020 capital expenditures for the Company and its subsidiaries. ※ Approved the amendments to Article 6 of the Company's "Audit Committee Articles of Association". ※ Approved the amendment of Corporate Governance Best-Practice Principles. ※ Approved the amendment of Ethical Corporate Management Best Practice Principles. ※ Approved the Procedures for the Board of Directors Performance Evaluation.

2020.03.13	Board of Directors' meeting	※ Approved the amendment of "Internal Control System" and "Implementation Rules of Internal Audit". ※ Approved the amendment of the Rules of Procedure for Board of Directors Meetings. ※Approved the amendments of the "Audit Committee Articles of Association". ※Approved the amendments of the "Compensation Committee Articles of Association". ※Approved the motion for the Company's 2020 budget. ※ Approved the motion for assessment on independence and competency of CPAs. ※Approved the separate financial statement and consolidated financial statements 2019. ※Approved the Company's 2019 business report. ※Approved the motion for allocation of earnings in 2019. ※ Approved the motion for allocation of cash dividend from capital surplus. ※Approved the motion for allocation of remuneration to employees in 2019 and the motion proposed by Compensation Committee for the remuneration to Directors in 2019. ※Approved the election of the board of Directors. ※Approved the 14th term board of Directors candidate. ※Approved the motion for organization of the Company's 2020 general shareholders' meeting at Zhongshan Hall of Toufen City Office, Miaoli County on June 10, 2020 (Wednesday).

(XII) Where a director has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof in the most recent fiscal year or up to the date of publication of the annual report: N/A.

(XIII) A summary of resignations and dismissals of the Company's Director & Chairman, President, chief accountant, executive financial officer, chief internal auditor, corporate governance officer and chief research and development officer in the most recent fiscal year or up to the date of publication of the annual report:

Title	Name	Date of Appointment	Date of Discharge	Cause for discharge
Senior Vice President, Finance Manager Spokesman	S.K. Chen	2018.05.04	2019.08.15	Took office as Special Assistant of the Director & Chairman Office

V. Information of CPA Regarding Fee

Name of accounting firm	Name of CPA		Audit period	Remarks
Ernst & Young	Shao-Pin Kuo	Wen-Fun Fuh	2019.1.1~2019.12.31	N/A

Unit: NTD thousand

Amount range \ Fee items		Audit Fee	Non-Audit Fees	Total
1	Less than NT$2 million			
2	NT$2 million (inclusive) –NT$4 million			
3	NT$4 million (inclusive) –NT$6 million	5,025	258	5,283
4	NT$6 million (inclusive) –NT$8 million			
5	NT$8 million (inclusive) –NT$10 million			
6	Over NT$10 million (inclusive)			

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Non-audit fees: primarily NT$160 thousand for the report on inventory-taking with the customs and NT$98 thousand for the license registration.

(II) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A.

(III) Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: N/A.

VI. Change of auditor: N/A.

VII. Disclosure of any of the company's Director & Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year, including their names, position, and the periods during which they were employed by the auditor's firm or any of its affiliated company: N/A.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:

Changes in equity of Directors, managers and major shareholders

Unit: share

Title	Name	2019		Ending April 12, 2020	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Director & Chairman and CEO	Chin-Kung Lee	-	-	-	-
Vice-Chairman	Chi-Chun Hsieh	-	-	-	-
Director and President	An-Hsuan Liu	-	-	100,000	-
Director	Kao-Yu Liu	-	-	-	-
Director	Kuan-Hua Chen	-	-	-	-
Director	Yann Yuan Investment Co., Ltd	-	-	-	-
	Representative: Chao-Jung Tsai	-	-	-	-
Independent Director	Hsien-Tsun Yang	-	-	-	-
Independent Director	Hui-Chun Hsu	-	-	-	-
Independent Director	Dar-Yeh Hwang	-	-	-	-
Executive Vice President	Gauss Chang		-	-	-
Senior Vice President	K.K Lee	169,000	-		-
Senior Vice President	Steven Chang	(128,000)	-	(262,000)	-
Senior Vice President (Note 1)	S.K. Chen	(90,000)			
Vice President	Andy Liang		-		-
Assistant Vice President	Logan Chao		-	-	-
Assistant Vice President	Wendy Chen	-	-	-	-
Assistant Vice President	Hans Han	-	-	30,000	-
Assistant Vice President	Jeff Hsu	(941)		-	-
Assistant Vice President	Chung-Wen Wang	-	-	-	-
Company Secretary (Note 2)	Neil Chung	-	-	-	-

Note 1: Took office as Special Assistant of the Director & Chairman's Office.
Note 2: Appointed on May 4, 2019.

Equity transfer information: N/A.

Equity pledge information: N/A.

IX. Information on the relationship of Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier.

Information on the relationship of Top 10 shareholders by proportion of shareholding, related parties, spouse, or kindred within the 2nd tier.

2020.04.12

Name	Self-owned Shares		Shareholdings of spouse and underage children		Shareholding using other's name		Disclosure of the names and relationship between the top ten shareholders with the relationship as defined under Statement of Financial Accounting Standards (SFAS) No. 6:		Remarks
	Shares	Shareholding ratio (%) (Note)	Shares	Shareholding percentage (Note)	Shares	Shareholding ratio (%)	Name	Relationship	
Fubon Life Insurance Co., Ltd.	60,957,000	4.99	-	-	-	-	-	-	-
Representative: Ming-Hsing Tsai	0	0.00	-	-	-	-	-	-	-
New Labor Pension Fund	56,672,000	4.63	-	-	-	-	-	-	-
Yann Yuan Investment Co., Ltd	52,600,000	4.30	-	-	-	-	-	-	-
Representative: Wen-Ching Lin	0	0.00	-	-	-	-	-	-	-
Yuanta/P-shares Taiwan Dividend Plus ETF	40,160,179	3.28	-	-	-	-	-	-	-
Chin-Kung Lee	34,000,941	2.78	4,263,053	0.35	-	-	-	-	-
United Microelectronics Corporation	23,157,696	1.89	-						
Representative: Chia-Tsung Hung									
China Life Insurance Co., Ltd.	23,041,000	1.88	-	-	-	-	-	-	-
Representative: Ming-Yang Wang									
Labor Insurance Fund	22,229,000	1.82							
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	20,038,721	1.64							

AIA International Limited-internal-Relative Asia Equity XP	19,947,000	1.63	-	-	-	-	-	-	-

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

X. The shareholders of the Company, the Company's Directors, managers, and the business entity directly or indirectly controlled by the Company on the same invested company and also, the consolidated comprehensive shareholding ratio

Comprehensive shareholding ratio

Invested enterprise	Investment made by the company		Investment by Directors and managers or by directly or indirectly controlled enterprises		Total investment	
	Shares	Holding percentage (%)	Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)
KYEC USA Corp. (Note 1)	160,000	100	-	-	160,000	100
KYEC SINGAPORE PTE. LTD. (Note 2)	78,000	100	-	-	78,000	100
KYEC JAPAN K.K. (Note 3)	1,899	89.83	-	-	1,899	89.83
KYEC Investment International Co.,Ltd. (Notes 4, 7, 8)	164,923,636	100	-	-	164,923,636	100
KYEC Technology Management Co.,Ltd. (Notes 4, 7)	7,500,000	100	-	-	7,500,000	100
KYEC Microelectronics Co.,Ltd. (Notes 4, 7)	125,500,000	100	-	-	125,500,000	100
Sino-tech Investment Co., Ltd. (Notes 4, 8)	32,431,235	100	-	-	32,431,235	100
Strong Outlook Investment Limited (Notes 4, 8)	30,337,400	100	-	-	30,337,400	100
King Long Technology (Suzhou) Ltd. (Note 5, 7)	0	100	-	-	-	100
Suzhou Zhen Kun Technology Ltd. (Note 6, 8)	0	100	-	-	-	100
King Ding Precision Incorporated Company (Note 9)	6,600,000	100	-	-	6,600,000	100
Fixwell Technology Corp. (Note 10)	2,800,000	23.33	320,000	2.67	3,120,000	26.00
Wei JiuIndustrial Co., LTD. (Note 11)	1,020,000	34.00	-	-	1,020,000	34.00

Note 1: Acts as the agent for business in the territories of the U.S.A. and related communications.

Note 2: Acts as the agent for business in the territories of South East Asia and Europe and related communications.

Note 3: Engages in electronic parts manufacturing and trading, and acts as the agent for business in the territories of Japan and related communications.

Note 4: General investment.

Note 5: Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.

Note 6: Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services.

Note 7: (1) Since 2002, the Company has been making improvements through KYEC Investment International Co., Ltd. (BVI) and KYEC Microelectronics Co., Ltd. (CAYMAN) into a Chinese business called King Long Technology (Suzhou) Ltd. As of December 31, 2019, the Company had made cumulative investments totaling U+S$116,155,000.

(2) On November 1, 2003 and in November 2009, the Company made investments through contribution of technology into KYEC Technology Management Co., Ltd. (SAMOA), which then made indirect investments through KYEC Microelectronics Co., Ltd. (CAYMAN) into a Chinese business called King Long Technology (Suzhou) Ltd., for amounts of US$5,325,000 and US$2,175,000, respectively. These investments were approved by the Investment Commission, Ministry of Economic Affairs, under Letter No. (92)-Jing-Shen-2-092031647 dated October 20, 2003 and (98)-Jing-Shen-2-09800350290 dated October 21, 2009, respectively.

Note 8: (1)The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Sino-Tech Investment Co., Ltd.(SAMOA) since September 2009. On March 6, 2019, Sino-Tech Investment Co., Ltd. transferred RMB$53,226 thousand ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Until December 31, 2019, the Company has accumulated the outward remittances of investment capital in the amount of US$32,431 thousand.

(2) The Company has successively invested in Suzhou Zhen Kun Technology Ltd. in the Mainland China, indirectly, via KYEC Investment International Co., Ltd. (BVI) and Strong Outlook Investments Limited(BVI) since September 2010. On March 6, 2019, Strong Outlook Investments Ltd. transferred RMB$32,789 thousand ownership of Suzhou Zhen Kun Technology Ltd. to King Long Technology (Suzhou) Ltd., and remitted an equivalent amount of investment capital in December 2019. Until December 31, 2019, the Company has accumulated the outward remittances of investment capital in the amount of US$16,337 thousand.

Note 9: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 10: Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.

Note 11: CNC & milling machine processing design and manufacturing of various precision mechanical parts.

Three. Financing Status

I. Capital and Shares

(I-1) Source of Capital

Unit: Share; NTD

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Equity Capital sources	Investment by properties other than cash	Others
1986.05	1,000	7,000	7,000,000	7,000	7,000,000	Capital stock at the time of incorporation	N/A	N/A
1990.02	1,000	9,500	9,500,000	9,500	9,500,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1994.07	10	2,050,000	20,500,000	2,050,000	20,500,000	Capital increase in cash by NT$11,000 thousand	N/A	N/A
1995.10	10	3,000,000	30,000,000	3,000,000	30,000,000	Capital increase in cash by NT$9,500 thousand	N/A	N/A
1996.09	10	5,000,000	50,000,000	5,000,000	50,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1997.05	10	9,000,000	90,000,000	9,000,000	90,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
19997.09	10	35,000,000	350,000,000	17,000,000	170,000,000	Capital increase in cash by NT$80,000 thousand	N/A	N/A
1998.02	20	35,000,000	350,000,000	35,000,000	350,000,000	Capital increase in cash by NT$180,000 thousand	N/A	N/A
1998.08	20	80,000,000	800,000,000	54,975,000	549,750,000	Capital increase by NT$140,000 thousand in cash; Recapitalized by NT$59,750 thousand from earnings	N/A	N/A
1998.09	10	80,000,000	800,000,000	65,000,000	650,000,000	Recapitalized by NT$100,250 thousand from capital surplus	N/A	N/A
1998.12	30	80,000,000	800,000,000	70,000,000	700,000,000	Capital increase in cash by NT$2,500 thousand	N/A	N/A
1999.07	30	150,000,000	1,500,000,000	99,375,000	993,750,000	Capital increase by NT$100,000 thousand in cash; Recapitalized by NT$123,750 thousand from earnings; Recapitalized by NT$70,000 thousand from capital surplus	N/A	N/A
1999.12	46	150,000,000	1,500,000,000	124,375,000	1,243,750,000	Capital increase in cash by NT$250,000,000	N/A	N/A
2000.07	70	560,000,000	5,600,000,000	263,225,446	2,632,254,460	Capital increase by NT$700,000 thousand in cash; Recapitalized by NT$439,754 thousand from earnings; Recapitalized by NT$248,750 thousand from capital surplus	N/A	N/A
2001.07	10	700,000,000	7,000,000,000	436,672,214	4,366,722,140	Recapitalized by NT$1,023,759 thousand from earnings; Recapitalized by NT$710,708 thousand from capital surplus	N/A	N/A

2002.05	10	870,000,000	8,700,000,000	436,672,214	4,366,722,140	Change of authorized capital stock	N/A	N/A
2002.07	10	870,000,000	8,700,000,000	447,879,749	4,478,797,490	Overseas convertible bond: NT$112,075 thousand	N/A	N/A
2002.10	10	870,000,000	8,700,000,000	452,591,205	4,525,912,050	Overseas convertible bond: NT$47,115 thousand	N/A	N/A
2003.01	10	870,000,000	8,700,000,000	452,876,747	4,528,767,470	Overseas convertible bond: NT$2,855 thousand	N/A	N/A
2003.04	14	870,000,000	8,700,000,000	556,871,604	5,568,716,040	NT$1,039,949 thousand for private placement	N/A	N/A
2003.11	10	870,000,000	8,700,000,000	579,303,374	5,793,033,740	Overseas convertible bond: NT$224,318 thousand	N/A	N/A
2004.01	10	870,000,000	8,700,000,000	687,905,995	6,879,059,950	Overseas convertible bond: NT$1,086,026 thousand	N/A	N/A
2004.04	10	870,000,000	8,700,000,000	699,942,564	6,999,425,640	Overseas convertible bond: NT$120,366 thousand	N/A	N/A
2004.08	10	1,090,000,000	10,900,000,000	754,955,164	7,549,551,640	Change of authorized capital stock: Recapitalized by NT$550,126 thousand from earnings	N/A	N/A
2004.10	10	1,090,000,000	10,900,000,000	767,839,164	7,678,391,640	Exercise of employee stock option in exchange of new shares: NT$128,840 thousand	N/A	N/A
2005.01	10	1,090,000,000	10,900,000,000	768,405,664	7,684,056,640	Exercise of employee stock option in exchange of new shares: NT$5,665 thousand	N/A	N/A
2005.04	10	1,090,000,000	10,900,000,000	769,176,664	7,691,766,640	Exercise of employee stock option in exchange of new shares: NT$7,710 thousand	N/A	N/A
2005.07	10	1,090,000,000	10,900,000,000	781,266,164	7,812,661,640	Exercise of employee stock option in exchange of new shares: NT$120,895 thousand	N/A	N/A
2005.08	10	1,090,000,000	10,900,000,000	907,897,897	9,078,978,970	Recapitalized by NT$1,266,317 thousand from earnings	N/A	N/A
2005.10	10	1,090,000,000	10,900,000,000	912,958,739	9,129,587,390	Exercise of employee stock option in exchange of new shares: NT$48,195 thousand Overseas convertible bond: NT$2,413 thousand	N/A	N/A
2006.01	10	1,090,000,000	10,900,000,000	915,401,740	9,154,017,400	Exercise of employee stock option in exchange of new shares: NT$14,535 thousand Overseas convertible bond: NT$9,895 thousand	N/A	N/A

2006.04	10	1,090,000,000	10,900,000,000	955,024,900	9,550,249,000	Exercise of employee stock option in exchange of new shares: NT$10,205 thousand Overseas convertible bond: NT$386,027 thousand	N/A	N/A
2006.07	10	1,300,000,000	13,000,000,000	986,793,076	9,867,930,760	Change of authorized capital stock: Exercise of employee stock option in exchange of new shares: NT$29,640 thousand Overseas convertible bond: NT$288,042 thousand	N/A	N/A
2006.08	10	1,300,000,000	13,000,000,000	1,010,099,813	10,100,998,130	Exercise of employee stock option in exchange of new shares: NT$6,085 thousand Overseas convertible bond: NT$226,982 thousand	N/A	N/A
2006.08	10	1,300,000,000	13,000,000,000	1,089,670,967	10,896,709,670	Recapitalized by NT$795,712 thousand from earnings	N/A	N/A
2006.10	10	1,300,000,000	13,000,000,000	1,090,079,967	10,900,799,670	Exercise of employee stock option in exchange of new shares: NT$4,090 thousand	N/A	N/A
2007.01	10	1,300,000,000	13,000,000,000	1,090,543,467	10,905,434,670	Exercise of employee stock option in exchange of new shares: NT$4,635 thousand	N/A	N/A
2007.04	10	1,300,000,000	13,000,000,000	1,091,078,967	10,910,789,670	Exercise of employee stock option in exchange of new shares: NT$5,355 thousand	N/A	N/A
2007.07	10	1,300,000,000	13,000,000,000	1,091,594,467	10,915,944,670	Exercise of employee stock option in exchange of new shares: NT$5,155 thousand	N/A	N/A
2007.08	10	1,500,000,000	15,000,000,000	1,214,696,675	12,146,966,750	Change of authorized capital stock: Recapitalized by NT$1,231,022 thousand from earnings	N/A	N/A
2008.01	10	1,500,000,000	15,000,000,000	1,214,706,675	12,147,066,750	Exercise of employee stock option in exchange of new shares: NT$100 thousand	N/A	N/A
2008.04	10	1,500,000,000	15,000,000,000	1,215,037,175	12,150,371,750	Exercise of employee stock option in exchange of new shares: NT$3,305 thousand	N/A	N/A

2008.07	10	1,500,000,000	15,000,000,000	1,215,154,175	12,151,541,750	Exercise of employee stock option in exchange of new shares: NT$1,170 thousand	N/A	N/A
2008.08	10	1,500,000,000	15,000,000,000	1,280,854,009	12,808,540,090	Recapitalized by NT$656,998 thousand from earnings	N/A	N/A
2009.03	10	1,500,000,000	15,000,000,000	1,256,675,009	12,566,750,090	Capital decrease by NT$241,790 thousand upon cancellation of treasury stock	N/A	N/A
2009.08	10	1,500,000,000	15,000,000,000	1,259,735,576	12,597,355,760	Recapitalized by NT$30,606 thousand from earnings	N/A	N/A
2009.12	10	1,500,000,000	15,000,000,000	1,247,287,576	12,472,875,760	Capital decrease by NT$124,480 thousand upon cancellation of treasury stock	N/A	N/A
2010.05	10	1,500,000,000	15,000,000,000	1,237,287,576	12,372,875,760	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock	N/A	N/A
2010.12	10	1,500,000,000	15,000,000,000	1,224,410,576	12,244,105,760	Capital decrease by NT$128,770 thousand upon cancellation of treasury stock	N/A	N/A
2011.01	10	1,500,000,000	15,000,000,000	1,245,037,914	12,450,379,140	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT$306,273 thousand	N/A	N/A
2011.04	10	1,500,000,000	15,000,000,000	1,272,549,545	12,725,495,450	Capital decrease by NT$100,000 thousand upon cancellation of treasury stock Overseas convertible bond: NT$375,116 thousand	N/A	N/A
2011.07	10	1,500,000,000	15,000,000,000	1,274,814,783	12,748,147,830	Overseas convertible bond: NT$22,652 thousand	N/A	N/A
2011.12	10	1,500,000,000	15,000,000,000	1,224,888,354	12,248,883,540	Capital decrease by NT$500,000 thousand upon cancellation of treasury stock; Overseas convertible bond 736,000	N/A	N/A
2012.04	10	1,500,000,000	15,000,000,000	1,197,544,282	11,975,442,820	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT$26,559 thousand	N/A	N/A
2012.07	10	1,500,000,000	15,000,000,000	1,170,241,900	11,702,419,000	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock; Overseas convertible bond: NT$26,976 thousand	N/A	N/A

2012.10	10	1,500,000,000	15,000,000,000	1,186,889,400	11,868,894,000	New restricted employee shares: NT$30,000 thousand; Overseas convertible bond: NT$136,475 thousand	N/A	N/A
2013.01	10	1,500,000,000	15,000,000,000	1,190,751,900	11,907,519,000	Overseas convertible bond: NT$38,625 thousand	N/A	N/A
2013.04	10	1,500,000,000	15,000,000,000	1,190,671,900	11,906,719,000	Cancellation of new restricted employee shares: NT$800 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,671,900	11,926,719,000	New restricted employee shares: NT$20,000 thousand	N/A	N/A
2013.05	10	1,500,000,000	15,000,000,000	1,192,631,900	11,926,319,000	Cancellation of new restricted employee shares: NT$400 thousand	N/A	N/A
2013.08	10	1,500,000,000	15,000,000,000	1,192,536,900	11,925,369,000	Cancellation of new restricted employee shares: NT$950 thousand	N/A	N/A
2014.03	10	1,500,000,000	15,000,000,000	1,192,442,400	11,924,424,000	Cancellation of new restricted employee shares: NT$945 thousand	N/A	N/A
2014.07	10	1,500,000,000	15,000,000,000	1,192,318,400	11,923,184,000	Cancellation of new restricted employee shares: NT$1,240 thousand	N/A	N/A
2015.03	10	1,500,000,000	15,000,000,000	1,192,303,400	11,923,034,000	Cancellation of new restricted employee shares: NT$150 thousand	N/A	N/A
2015.05	10	1,500,000,000	15,000,000,000	1,192,294,400	11,922,944,000	Cancellation of new restricted employee shares: NT$90 thousand	N/A	N/A
2015.11	10	1,500,000,000	15,000,000,000	1,162,294,400	11,622,944,000	Capital decrease by NT$300,000 thousand upon cancellation of treasury stock	N/A	N/A
2016.10	10	1,500,000,000	15,000,000,000	1,167,483,269	11,674,832,690	Overseas convertible bond: NT$51,889 thousand	N/A	N/A
2017.03	10	1,500,000,000	15,000,000,000	1,171,173,138	11,711,731,380	Overseas convertible bond: NT$36,899 thousand	N/A	N/A
2017.07	10	1,500,000,000	15,000,000,000	1,173,709,921	11,737,099,210	Overseas convertible bond: NT$25,368 thousand	N/A	N/A
2017.10	10	1,500,000,000	15,000,000,000	1,206,542,676	12,065,426,760	Overseas convertible bond: NT$328,328 thousand	N/A	N/A
2018.01	10	1,500,000,000	15,000,000,000	1,220,238,284	12,202,382,840	Overseas convertible bond: NT$136,956 thousand	N/A	N/A
2018.04	10	1,500,000,000	15,000,000,000	1,221,277,681	12,212,776,810	Overseas convertible bond: NT$10,394 thousand	N/A	N/A
2018.05	10	1,500,000,000	15,000,000,000	1,222,745,065	12,227,450,650	Overseas convertible bond: NT$14,674 thousand	N/A	N/A

1. Registration of incorporation: The capital was NT$7 million at the time of incorporation.
2. Capital increase in cash: Authorized capital stock NT$9.5 million and paid-in capital NT$9.5 million.

3. Capital increase in cash: (83) Jian-San-Bing-Zi No. 340845, authorized capital stock NT$20.5 million and paid-in capital NT$20.5 million.
4. Capital increase in cash: (84) Jian-San-Ren-Zi No. 487475, authorized capital stock NT$30 million and paid-in capital NT$30 million.
5. Capital increase in cash: (85) Jian-San-Jia-Zi No. 226939, authorized capital stock NT$50 million and paid-in capital NT$50 million.
6. Capital increase in cash: (86) Jian-San-Ding-Zi No. 162044, authorized capital stock NT$90 million and paid-in capital NT$90 million.
7. Capital increase in cash: Jing (86)-Shang-Zi No. 120076, authorized capital stock NT$350 million and paid-in capital NT$170 million.
8. Capital increase in cash: Jing (87)-Shang-Zi No. 130077, authorized capital stock NT$350 million and paid-in capital NT$350 million.
9. Capital increase in cash and recapitalization from earnings: Jing-Shou-Shang-Zi No. 087123302, authorized capital stock NT$800 million and paid-in capital NT$549.75 million.
10. Recapitalization from capital surplus: Jing-Shou-Shang-Zi No. 087128734, authorized capital stock NT$800 million and paid-in capital NT$650 million.
11. Capital increase in cash: Jing-Shou-Shang-Zi No. 087142402, authorized capital stock NT$800 million and paid-in capital NT$700 million.
12. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 088127133, authorized capital stock NT$1.5 billion and paid-in capital NT$993.75 million.
13. Capital increase in cash: Jing-Shou-Shang-Zi No. 088143309, authorized capital stock NT$1.5 billion and paid-in capital NT$1.24375 billion.
14. Capital increase in cash and recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 089122231, authorized capital stock NT$5.6 billion and paid-in capital NT$2.63225446 billion.
15. Recapitalization from earnings and capital surplus: Jing-Shou-Shang-Zi No. 09001276850, authorized capital stock NT$7 billion and paid-in capital NT$4.36672214 billion.
16. Upgraded the authorized capital stock as NT$8.7 billion.
17. Jing-Shou-Shang-Zi No. 09101278670, authorized capital stock NT$8.7 billion and paid-in capital NT$4.47879749 billion.
18. Jing-Shou-Shang-Zi No. 09101442750, authorized capital stock NT$8.7 billion and paid-in capital NT$4.52591205 billion.
19. Jing-Shou-Shang-Zi No. 09201018710, authorized capital stock NT$8.7 billion and paid-in capital NT$4.52876747 billion.
20. Private placement securities: Jing-Shou-Shang-Zi No. 09201121500, authorized capital stock NT$8.7 billion and paid-in capital NT$5.56871604 billion.
21. Jing-Shou-Shang-Zi No. 09201322980, authorized capital stock NT$8.7 billion and paid-in capital NT$5.79303374 billion.
22. Jing-Shou-Shang-Zi No. 09301007670, authorized capital stock NT$8.7 billion and paid-in capital NT$6.87905995 billion.
23. Jing-Shou-Shang-Zi No. 09301060440, authorized capital stock NT$8.7 billion and paid-in capital NT$6.99942564 billion.
24. Jing-Shou-Shang-Zi No. 09301156810, authorized capital stock NT$10.9 billion and paid-in capital NT$7.54955164 billion.
25. Jing-Shou-Shang-Zi No. 09301201590, authorized capital stock NT$10.9 billion and paid-in capital NT$7.67839164 billion.
26. Jing-Shou-Shang-Zi No. 09401003210, authorized capital stock NT$10.9 billion and paid-in capital NT$7.68405664 billion.
27. Jing-Shou-Shang-Zi No. 09401060170, authorized capital stock NT$10.9 billion and paid-in capital NT$7.69176664 billion.
28. Jing-Shou-Shang-Zi No. 09401136480, authorized capital stock NT$10.9 billion and paid-in capital NT$7.81266164 billion.
29. Jing-Shou-Shang-Zi No. 09401161000, authorized capital stock NT$10.9 billion and paid-in capital NT$9.07897897 billion.
30. Jing-Shou-Shang-Zi No. 09401204350, authorized capital stock NT$10.9 billion and paid-in capital NT$9.12958739 billion.
31. Jing-Shou-Shang-Zi No. 09501007380, authorized capital stock NT$10.9 billion and paid-in capital NT$9.1540174 billion.
32. Jing-Shou-Shang-Zi No. 09501077070, authorized capital stock NT$10.9 billion and paid-in capital NT$9.550249 billion.
33. Jing-Shou-Shang-Zi No. 09501160380, authorized capital stock NT$13 billion and paid-in capital NT$9.86793076 billion.
34. Jing-Shou-Shang-Zi No. 09501163350, authorized capital stock NT$13 billion and paid-in capital

NT$10.10099813 billion.
35. Jing-Shou-Shang-Zi No. 09501191840, authorized capital stock NT$13 billion and paid-in capital NT$10.89670967 billion.
36. Jing-Shou-Shang-Zi No. 09501232620, authorized capital stock NT$13 billion and paid-in capital NT$10.90079967 billion.
37. Jing-Shou-Shang-Zi No. 09601019120, authorized capital stock NT$13 billion and paid-in capital NT$10.90543467 billion.
38. Jing-Shou-Shang-Zi No. 09601078430, authorized capital stock NT$13 billion and paid-in capital NT$10.91078967 billion.
39. Jing-Shou-Shang-Zi No. 09601177990, authorized capital stock NT$13 billion and paid-in capital NT$10.91594467 billion.
40. Jing-Shou-Shang-Zi No. 09601199070, authorized capital stock NT$15 billion and paid-in capital NT$12.14696675 billion.
41. Jing-Shou-Shang-Zi No. 09701009440, authorized capital stock NT$15 billion and paid-in capital NT$12.14706675 billion.
42. Jing-Shou-Shang-Zi No. 09701089030, authorized capital stock NT$15 billion and paid-in capital NT$12.15037175 billion.
43. Jing-Shou-Shang-Zi No. 09701175060, authorized capital stock NT$15 billion and paid-in capital NT$12.15154175 billion.
44. Jing-Shou-Shang-Zi No. 09701200320, authorized capital stock NT$15 billion and paid-in capital NT$12.80854009 billion.
45. Jing-Shou-Shang-Zi No. 09801061510, authorized capital stock NT$15 billion and paid-in capital NT$12.56675009 billion.
46. Jing-Shou-Shang-Zi No. 09801180250, authorized capital stock NT$15 billion and paid-in capital NT$12.59735576 billion.
47. Jing-Shou-Shang-Zi No. 09801280260, authorized capital stock NT$15 billion and paid-in capital NT$12.47287576 billion.
48. Jing-Shou-Shang-Zi No. 09901106450, authorized capital stock NT$15 billion and paid-in capital NT$12.37287576 billion.
49. Jing-Shou-Shang-Zi No. 09901275210, authorized capital stock NT$15 billion and paid-in capital NT$12.24410576 billion.
50. Jing-Shou-Shang-Zi No. 10001010550, authorized capital stock NT$15 billion and paid-in capital NT$12.45037914 billion.
51. Jing-Shou-Shang-Zi No. 10001070130, authorized capital stock NT$15 billion and paid-in capital NT$12.72549545 billion.
52. Jing-Shou-Shang-Zi No. 10001157030, authorized capital stock NT$15 billion and paid-in capital NT$12.74814783 billion.
53. Jing-Shou-Shang-Zi No. 10001286450, authorized capital stock NT$15 billion and paid-in capital NT$12.24888354 billion.
54. Jing-Shou-Shang-Zi No. 10101055590, authorized capital stock NT$15 billion and paid-in capital NT$11.97544282 billion.
55. Jing-Shou-Shang-Zi No. 10101144030, authorized capital stock NT$15 billion and paid-in capital NT$11.702419 billion.
56. Jing-Shou-Shang-Zi No. 10101203850, authorized capital stock NT$15 billion and paid-in capital NT$11.868894 billion.
57. Jing-Shou-Shang-Zi No. 10201002850, authorized capital stock NT$15 billion and paid-in capital NT$11.907519 billion.
58. Jing-Shou-Shang-Zi No. 10201055970, authorized capital stock NT$15 billion and paid-in capital NT$11.906719 billion.
59. Jing-Shou-Shang-Zi No. 10201077850, authorized capital stock NT$15 billion and paid-in capital NT$11.926719 billion.
60. Jing-Shou-Shang-Zi No. 10201089780, authorized capital stock NT$15 billion and paid-in capital NT$11.926319 billion.
61. Jing-Shou-Shang-Zi No. 10201167530, authorized capital stock NT$15 billion and paid-in capital NT$11.925369 billion.
62. Jing-Shou-Shang-Zi No. 10301074130, authorized capital stock NT$15 billion and paid-in capital NT$11.924424 billion.
63. Jing-Shou-Shang-Zi No. 10301139200, authorized capital stock NT$15 billion and paid-in capital NT$11.923184 billion.
64. Jing-Shou-Shang-Zi No. 10401047430, authorized capital stock NT$15 billion and paid-in capital NT$11.923034 billion.
65. Jing-Shou-Shang-Zi No. 10401086750, authorized capital stock NT$15 billion and paid-in capital

NT$11.922944 billion.
66. Jing-Shou-Shang-Zi No. 10401239940, authorized capital stock NT$15 billion and paid-in capital NT$11.622944 billion.
67. Jing-Shou-Shang-Zi No. 10501243690, authorized capital stock NT$15 billion and paid-in capital NT$11.67483269 billion.
68. Jing-Shou-Shang-Zi No. 10601033520, authorized capital stock NT$15 billion and paid-in capital NT$11.71173138 billion.
69. Jing-Shou-Shang-Zi No. 10601091290, authorized capital stock NT$15 billion and paid-in capital NT$11.73709921 billion.
70. Jing-Shou-Shang-Zi No. 10601144700, authorized capital stock NT$15 billion and paid-in capital NT$12.06542676 billion.
71. Jing-Shou-Shang-Zi No. 10701004040, authorized capital stock NT$15 billion and paid-in capital NT$12.20238284 billion.
72. Jing-Shou-Shang-Zi No. 10701034600, authorized capital stock NT$15 billion and paid-in capital NT$12.21277681 billion.
73. Jing-Shou-Shang-Zi No. 10701053680, authorized capital stock NT$15 billion and paid-in capital NT$12.22745065 billion.

2020.04.12 / Unit: share

Type of Shares	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered shares	1,222,745,065	277,254,935	1,500,000,000	Including 30 million shares of Employee Stock Option Plan

(I-2) Information relevant to the aggregate reporting policy: N/A.

(II) Shareholder structure

2020.04.12

Quantity of shareholder structure	Government institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and juristic (corporate) persons	Total
Persons	8	75	150	60,931	461	61,625
Shares held	118,017,050	187,042,262	93,195,743	331,802,746	492,687,264	1,222,745,065
Shareholding ratio (%)	9.65	15.30	7.62	27.14	40.29	100

(III) Distribution of equity

1. Common stock

Face value $10 per share 2020.04.12

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%) (Note)
1 to 999	26,779	3,211,414	0.26
1,000 to 5,000	25,553	54,851,666	4.49
5,001 to 10,000	4,642	36,262,795	2.97
10,001 to 15,000	1,433	17,777,317	1.45
15,001 to 20,000	901	16,685,812	1.36
20,001 to 30,000	780	19,734,913	1.61
30,001 to 50,000	546	21,675,844	1.77
50,001 to 100,000	401	28,569,343	2.34
100,001 to 200,000	199	28,760,493	2.35
200,001 to 400,000	135	39,175,616	3.20
400,001 to 600,000	48	23,638,719	1.93
600,001 to 800,000	32	22,705,628	1.86
800,001 to 1,000,000	18	16,220,817	1.33
Over 1,000,001	158	893,474,688	73.07
Total	61,625	1,222,745,065	100

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

2. The Company never issued any preference stock.

(IV) List of Major Shareholders

List of shareholders with a stake of 5 percent or greater, or of the top ten

Ended on April 12, 2020

Major Shareholders \ Shares	Shares held	Shareholding ratio (%) (Note)
Fubon Life Insurance Co., Ltd.	60,957,000	4.99
New Labor Pension Fund	56,672,000	4.63
Yann Yuan Investment Co., Ltd.	52,600,000	4.30
Yuanta/P-shares Taiwan Dividend Plus ETF	40,160,179	3.28
Chin-Kung Lee	34,000,941	2.78
United Microelectronics Corporation	23,157,696	1.89
China Life Insurance Co., Ltd.	23,041,000	1.88
Labor Insurance Fund	22,229,000	1.82
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	20,038,721	1.64
AIA International Limited-internal-Relative Asia Equity XP	19,947,000	1.63
Total	352,803,537	28.85

Note: Calculated based on the outstanding common stock on the date of suspension of stock transfer by this general shareholders' meeting.

(V) Per share information (including market price, book value, earnings, share dividend) during the most recent two years

Unit: NTD

Item \ Year			2020 (Note 5)	2019	2018
Market price per share	Highest		38.65	39.50	33.35
	Lowest		28.40	21.05	16.90
	Average		33.41	31.44	25.40
Net worth per share	Before distribution		-	21.42	20.02
	After distribution		-	(Note 1)	18.67
EPS	Weighted average number of shares (thousands) (after retrospective adjustment)		-	1,222,745	1,222,296
	Earnings per share	Before adjustment (retroactive)	-	2.49	1.47
		After adjustment (retroactive)	-	-	1.47
Dividends per share	Cash dividend		-	1.80 (Note 1)	1.35
	Dividend distribution	Out of earnings	-	-	-
		Out of additional paid-in capital	-	-	-
	Accumulated, unpaid dividends		-	-	-

ROI analysis	P/E ratio (Note 2)	-	12.29	17.57
	P/D ratio (Note 3)	-	16.99	19.13
	Cash dividend yield (Note 4)	-	0.059	0.052

Note 1: To be resolved during the general shareholders' meeting 2020.
Note 2: P/E ratio = Average closing price per share for the current year/Earnings per share.
Note 3: P/D ratio = Average closing price per share for the current year/Cash dividend per share.
Note 4: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.
Note 5: 2020 data was accurate as of April 12.

(VI) Dividend policy and implementation

1. The dividend policy defined by the Articles of Incorporation

From the profit earned by the Company as shown through the final account, if any, the sum to pay tax and make good previous loss, if any, shall be first set aside, and then 10% for legal reserve and then the sum for special reserve for provision or reversal to meet the Company's operating need and as required by laws. The final balance, if any, added with unappropriated retained earnings accumulated in previous year(s), shall be duly distributed at the percentages as proposed by the Board of Directors and resolved in the shareholders' meeting.

The Company's dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the future. Shareholders interest, balance of dividend payment and long-term financial planning of the Company shall also be take into consideration by the Board of Directors when the Board proposes the motion for allocation of stock dividends annually as required by law and presents the same before the General Meeting of Shareholders for ratification. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment in the future. The cash dividend allocated to shareholders in the current year shall be no less than 20% of the total dividends to the shareholders for the year.

2. Distribution of dividend proposed in the current shareholders' meeting:

Unit: NTD

Item	Amount		Projected dividend yield
Unallocated earnings- beginning		3,395,119,724	
Add: net profit after tax	3,041,565,964		
Less: Confirmed actuarial gain/loss of welfare	(57,525,263)		
Less: Changes in equity of subsidiaries	(7,853,385)		
Add: Disposal of equity instrument at fair value through other comprehensive income	395,262		

Profit after tax plus the amount included in the undistributed earnings for the current year		2,976,582,578	
Less: Provision of 10% legal reserve		(297,658,258)	
Add: Revolving special reserve		400,765,641	
Allocable earnings		6,474,809,685	
Scope of allocation			
Dividends to shareholders- cash		1,956,392,104	NT$1.6 per share
Total allocation		1,956,392,104	
Unallocated earnings- ending		4,518,417,581	

Note:

1. According to the Company's distribution policy, the allocable earnings for 2019 shall be allocated as the first priority. The deficit, if any, shall be allocated from the allocable earnings accumulated for the previous year, according to the first-in first-out policy in the order of the years in which the earnings were generated chronically.
2. The distribution yield is calculated based on the outstanding common stock totaling 1,222,745,065 shares when the Board of Directors meeting was held.
3. The cash dividend shall be rounded to the whole dollar amount according to the allocation rate. The total of the odd lots less than NT$1 included in the distribution shall be transferred to the Employee Welfare Committee.
4. Should the Company encounter a change of share capital that changes the number of outstanding shares on a later date, the Board of Directors shall be fully authorized to make the necessary adjustments to the percentage of cash dividends allocated to shareholders.
5. The base date for allocation of cash dividends and matters thereto shall be set by the Board of Directors with authorization upon resolution by the Annual General Meeting.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee and Directors' remuneration

1. The percentages or ranges with respect to the remuneration to employees and Directors, as set forth in the Company's Articles of Incorporation: Subject to the profit sought for the current year, the Company shall allocate 8%~10% of the profit as the remuneration to employees, and no more than 1% thereof as the remuneration to Directors. However, profits must first be taken to offset against cumulative losses if any.
2. The basis for estimating the amount of employee and director remuneration, shall take into account the number of shares to be distributed as stock bonuses, and the accounting treatment of any discrepancy between the actual distributed amount and the estimated figure for the current period:

(1) The profit sought by the Company in 2019 totaled NT$4,173,933,113 (namely, the earnings before tax less the remuneration to employees and Directors). 8% thereof were allocated as the remuneration to employees in cash, i.e. NT$333,914,649, and 0.8% thereof as the remuneration to Directors, i.e., NT$33,391,466.

(2) There is no difference from the estimates provided for 2019.

3.Board of Directors passed remuneration distribution:

(1) Remuneration to employees/Directors in cash:
NT$333,914,649 and NT$33,391,466.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only
financial reports or individual financial reports for the current period and total employee compensation: N/A.

4. The actual distribution of remuneration to employees and Directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the estimated remuneration to employees and Directors, additionally the discrepancy, cause, and how it is treated: The remuneration allocated to employees in cash were NT$206,105,276 and to Directors NT$20,610,530. There is no discrepancy with the estimates.

(IX) Repurchase of the Company's shares: N/A.

II. Instance of corporate bonds: N/A.

III. Instance of preference shares: N/A.

IV. Issuance of Overseas Depository Receipts: N/A.

V. Issuance of Employee Stock Option Plan: N/A.

VI. Information about new restricted employee shares: N/A.

VII. Status of New Shares Issuance in Connection With Mergers and Acquisitions: N/A.

VIII. Implementation of Capital Utilization Plan: N/A.

Four. Overview of Operations

I. Business Contents

(I) Scope of business

1. Major lines of business: Design, manufacturing, test, accessories, processing, packaging and sale of various integrated circuits, manufacturing, processing and sale of various burn-in machines and spare parts thereof, and import and export of said products.
2. Weight of business lines: The Company was officially incorporated in May 1987 and primarily engaged in grinding, cutting, wire bonding and packaging of IC at the very beginning. Since 1996, the Company has successively added the testing services about various types of integrated circuits. Meanwhile, the Company invested fund to incorporate King Long Technology (Suzhou) Ltd. in 2002, and also has invested in Suzhou Zhen Kun Technology Ltd. since 2009, primarily in order to increase its package and test services about various integrated circuits in the territories of Mainland China.

   The consolidated company's weights of import/export for the most recent five years are stated as following:

   In 2015, the weights of import/export were 40.56% and 59.44% respectively.

   In 2016, the weights of import/export were 39.40% and 60.60% respectively.

   In 2017, the weights of import/export were 34.94% and 65.06% respectively.

   In 2018, the weights of import/export were 35.89% and 64.11% respectively.

   In 2019, the weights of import/export were 34.48%and 65.52% respectively.

Main products/services and weights of business in 2019

Unit: NTD thousand

Product line	Operating revenue	Weight of business (%)
Wafer test service	8,291,787	32.47
Integrated circuits test service	12,314,704	48.22
Others	4,932,946	19.31
Total	25,539,437	100.00

3. The Company's current main products (services)

Wafer grinding and dicing, test and package services (Logic, Memory, and mixed signals), Burn-in test and Turnkey Service.

4. New products (services) under development

Wireless network IC test and package services, integrated IC test and package services, and power management IC test and package services.

(II) Industry overview

1. Industry status and development

According to the questionnaire results of TSIA, ITRI's IEK statistics showed that the output value of Taiwan's entire IC industry amounted to NT$754.3 billion (US$24.4B) in Q4 of 2019 (19Q4) (including IC design, IC manufacturing, IC package and IC test), representing a growth of 4.5% from the previous quarter (19Q3) and a growth of 9.8% from the same period in last year (18Q4). Among the other things, the output value of the IC design industry was NT$189.1 billion (US$6.1B), growing by 1.7% from the previous quarter (19Q3) and growing by 15.1% from the same period in last year (18Q4); the output value of the IC manufacturing industry was NT$426.2 billion (US$13.8B), growing by 5.9% from the previous quarter (19Q3) and 8.3% from the same period in last year (18Q4), including that of the foundry amounting to NT$385 billion (US$12.5B), growing by 8.1% from the previous quarter (19Q3) and 10.1% from the same period in last year (18Q4), the memory and other products amounting to NT$41.2 billion (US$1.3B), declining by 11.4% from the previous quarter (19Q3) and declining by 6.4% from the same period in last year (18Q4); the output value of the IC package industry was NT$96.5 billion (US$3.1B), growing by 3.2% from the previous quarter (19Q3) and 8.4% from the same period in last year (18Q4); the output value of the IC test industry was NT$42.5 billion (US$1.4B), growing by 7.3% from the previous quarter (19Q3) and 6.3% from the same period in last year (18Q4). The exchange rate of NTD against USD was 1:30.9. The test industry is identified as a capital-intensive advanced high-tech industry with considerable barriers to entry. Recently, the constant evolution of IC process and increasingly complicated functions has made the IC test become more and more important. Notwithstanding, due to the increasing capital expenditure, more and more leading IDMs and foundries have given up expansion of the back-end production capacity and contracted the IC test services to others. As a result, the professional test industry was booming.

For the IC package and test industry in 2020, the overall economy’s gradual stabilization was due to the easing tensions in the US-China trade war, coupled with sales recovery of electronic terminal products. Taiwan has the world's most advanced package and test and chip heterogeneous integration package and test technology which meet the demands of high integration and high-performance chips for global electronic terminal products. Taiwan’s output value in the package and test industry is estimated at NT$523 billion in 2020, which will grow by 4.5% compared to that in 2019.

2. Association between upstream, midstream, and downstream industry

participants

Upstream industry	IC design companies, foundries, and IDMs
Midstream industry	Testing equipment factories, package and test factories, and parts manufacturers
Downstream industry	IC resellers, IC design companies, and IDMs

3. Development trends and degree of competition for our products

The global semiconductor manufacturers moved their production bases to the territories of Asia in order to cut the production costs. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given the increasing proportion of foundries carried out by IDMs and IC design companies in Taiwan and the multiple domestic and foreign wafer fabs going to put in to production, there should be little demand for commissioning domestic manufacturers to engage in the back-end test service, in consideration of the cost, delivery period and maintenance of core competitiveness.

According to the MIC report, the global top ten suppliers in the package and test industry by the scale of operating revenue in 2019 were ASE, Amkor, Changjiang Electronics Technology Co. Ltd., Powertech Technology Inc., Tongfu Microelectronics Co., Ltd., Huatian Technology Co., Ltd., King Yuan Electronics Co., Ltd. (KYEC), UTAC, Chipbond Technology Corporation and ChipMOS TECHNOLOGIES INC.

The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, mixed signal IC, memory IC, wireless network, driver IC and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers’ need for one-stop purchase and to win the competitive niche for the Company's customers.

(III) Technology and R&D overview

1. R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: NTD thousand

Year	R&D expenditure	To operating revenue (%)
2019	1,035,207	4.05

Note: Unaudited R&D expenses as at March 31, 2019 amounted to NT$258,307 thousands.

2. Successfully developed technology or product during the most recent year and up to the date of publication of this annual report

(1) Develop LiDAR CP/ FT testing solution.
(2) High parallism images sensor package testing solution built up.
(3) CIS Handler for LiDAR Device.
(4) AI-based wafer probe mark recognition system.
(5) Laser Clean Automation System for Socket。
(6) Auto clean pogo pin of socket by robot machine.
(7) 8200 pins pogo tower of high pin count/low contact force.
(8) Auto hinge payload 800kg for E320 series test head.
(9) Develop High Power Burn In Oven & Burn In Board.
(10) Develop E-serial new generation logical tester.
(11) Develop E-serial new generation CIS tester.
(12) Develop MEMS accelerometer device wafer probing test solution and final test system.
(13) Develop MEMS Pressure device test solution and system.
(14) Develop MEMS Gyro device test solution and system.
(15) Develop MEMS TPMS device test solution and system.
(16) Develop RF IC over 20GHz test board design and manufacture capability.
(17) Build up design vertical probe card for probing fine pitch bumping wafer capability for 45 um fine pitch and QC equipment
(18) Develop VCPC for Fine Pitch< 50um and High Speed>56Gbps(success verify).
(19) During 2017~2019 develop 392 case of difference design type of test board，and released to production 13,950 pcs of KYEC developing test board on our testing production line.

(IV) Long and short-term business development plans

Short-term business development plan: Primarily intended to keep accelerating the expansion of the current market share, perfectly utilize the test platform's conversion technology, upgrade the production efficiency of the testing machines, cut the production cost, and expand the production capacity to perfectly provide the production capacity to the existing product lines' customers, including Memory, Logic, RF/Base Band, LCD Driver, Mixed-Signal and Image Sensor, et al..

Long-term business development plan: To be in line with the rapid growth of consumable electronics and the expansion of wireless applications, the Company is dedicated to developing the test services about such areas as LCD Driver, Digital TV, CMOS Sensor, Wireless, NAND Flash, DDRII, automotive IC and MEMS, et al. to support the application of TFT/STN, various hand-held or fixed sensors and wireless access points to such emerging markets as PC, NB, phone, Access port, home digitalization, and automobiles. In the future, the Company will still keep investing in R&D of KGD and high-frequency test solutions. The Company will also develop its standard interface for tests to create its own competitive strength.

II. Market and sales overview

(I) Market analysis

Territories where main products (services) are sold (provided)

Unit: NTD thousand

Year	2019		2018	
Area	Domestic sales	Export sales	Domestic sales	Export sales
Sales value of main products	Value	Value	Value	Value
Wafer test	3,807,606	4,484,181	3,668,804	4,781,778
Integrated circuits test	2,978,937	9,335,767	2,628,239	6,970,206
Others	2,019,045	2,913,901	1,173,145	1,593,197
Total	8,805,588	16,733,849	7,470,188	13,345,181

Market share

The Company's consolidated operating revenue amounted to NT$25.54 billion in 2019, representing a growth of 18.5% from 2018 that topped among peers. The turnover of annual package and test services generated by it in 2019 ranked 7th place in the same trade in the world, securing the stable market share.

Future supply and demand in this market and growth outlook

Given IDMs' contracting their back-end needs to others successively and the increasing proportion of foundries carried out by domestic/foreign IC design companies in Taiwan, the demand for package and test service has been increasing day by day. Notwithstanding, in consideration of the cost, delivery period and quality, their production bases have been moved to the territories of Asia. The domestic IC industry owns a complete and dynamic vertical division-of-labor system and, therefore, is recognized for its technology, quality and delivery period. Given this, it is expected to catch this amazing business opportunity.

According to the latest research reports from domestic/foreign leading institutions, as boosted by Macroeconomy, wireless communication solutions and consumable products, the need for outsourcing production by the global semiconductor market is expected to increase and thereby drive the development of the IC test service industry.

Competitive niche and positive factors for future development

1. Capital and technique intensive:

   Given the machine and equipment required by the test getting more and more expensive and at large quantity, the rapid upgrading of product hierarchy, shortage of domestic R&D talents and management teams with complete experience, and difficulty in establishing long-term cooperation relationship trusted by customers, it is not easy for potential competitors to enter the industry. The Company has been dedicated to establishing close cooperation relationship with domestic IC manufacturers and IC design companies actively permanently, and won the recognition and reliance from customers in its quality and delivery period.

2. Clear division-of-labor and outsourcing trend in the semiconductor industry

   Under the development trend for professional division of labor in the semiconductor industry, IDMs have gradually increased the proportion of production commissioned to professional OEMs in consideration of the operating cost and effect and financial risks. The domestic IC industry has brought the huge business opportunity to the IC downstream test service suppliers, when the foundry suppliers were expanding their international domains and IC design service suppliers were working hard to cooperate with the international leading manufacturers. The Company owns complete testing machines, which afford to provide such comprehensive IC test services as logic IC, mixed signal IC, memory IC, sensor, wireless network and integrated IC, and IC burn-in test. Meanwhile, the Company also provides the integrated services including wafer grinding and dicing and reeling & packaging to meet the customers’ need for one-stop purchase and to win the competitive niche for the Company's customers.

3. Economies of business scale and range of product line

   The entire IC industry's development emphasizes the upstream IC design and IC manufacturing capabilities. Meanwhile, the on-site support by the IC back-end package and test services is also an important factor critical to enhancement of the IC industry's competitive strength. The depreciation expenses accounted for a high proportion of the cost in the package and test industry. The profitability and risk of loss may be decided relying on the product line portfolio and economies of scale. This may be considered as a competitive strength. The Company has engaged in the test industry for many years and, therefore, secured its solid position in the industry.

Negative factors for the prospects of our development and our corresponding strategy

1. Merger of competitors or alliance of upstream and downstream suppliers:

Successive expansion of domestic upstream IC manufacturers derived the massive demand for the back-end IC production process. Meanwhile, given the increasing economic recovery in the semi-conductor industry and increasing proportion of outsourcing by IDMs, a lot of new IC test service providers allied with each other and, therefore, the competition will become more and more intensive in the market.

Corresponding strategy: (1) Provide integrated services which enable customers to receive the complete service for test, Burn-in and product package by placing one order and thereby cut the entire production period.

(2) Establish long-term cooperative relationship with customers: The Company works hard to establish the long-term cooperative relationship with customers with its strengthen in quality, speed and cost, so that its production capacity could be utilized perfectly and stably.

(3) Strengthen technical capability: Make use of the Company's research team to improve the production process and research and develop new technology and products to increase the added value of products.

2. Strong capital demand:

Given the business expansion and expensive price of the new generation test equipment, IC test service providers have a strong demand for working capital and fund for investment in machinery and equipment.

Corresponding strategy: The Company raised consideration working capital through the Company's net cash inflow from operating activities to help the Company's development.

3. More capital investment, more business risk

The annual capital expenditure of the package and test industry frequently ranges between NT$1 billion and NT$10 billion. The annual depreciation expenses are tremendous in this industry. Given the fluctuation of the economy in the semiconductor industry, how to keep the Company seeking profit and avoiding loss is a critical business challenge.

Corresponding strategy: Be cautious in investing in machinery and equipment, purchase mainstream test equipment, invest in customers with high growth ability, and strengthen the integration of effects of test platforms to disperse the proportion of single customer.

(II) Main product applications and production processes:

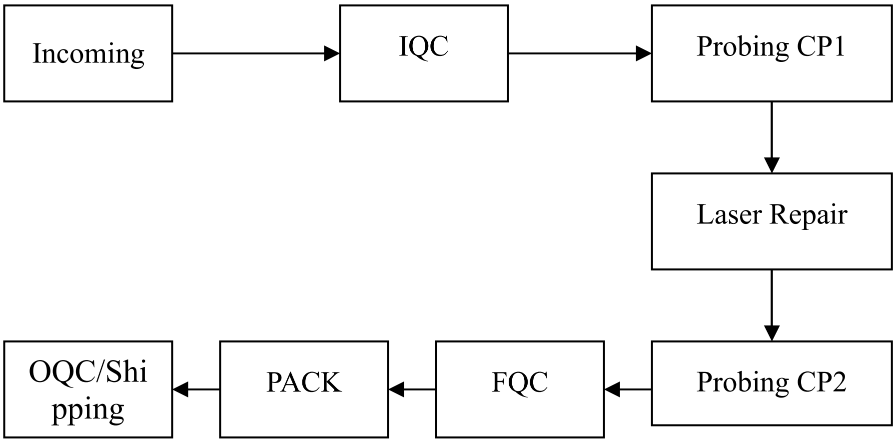
1. Important purpose of main products:

Main products	Important purpose
Wafer probe	Primarily intended to check and test the defects in wafer before the IC package.
Final test	Primarily intended to verify whether such attributes of the IC products as function, speed, tolerance, electronic consumption, electronic emission and heat diffusion satisfy the relevant standards.
Wafer grinding/dicing/ Waffle packing	After the wafer is ground and diced, the waffle is packed the package process.
Burn-in	Test the reliability of IC products and screen unstable ones earlier.
Lead Scan & Reform/Backend Services	Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service.
Package/test shipment	For the incoming from customers - in the case of chips, package/test the shipment after grinding and dicing. - in the case of waffle, package/test the shipment after packing/probing.

2. Production process of main products

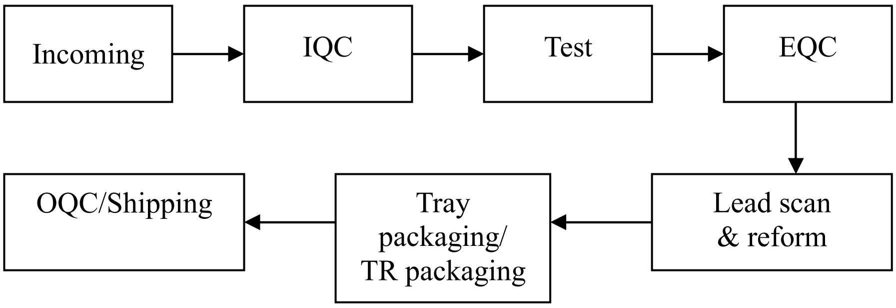
A. Wafer probing

Wafer probing refers to a process dedicated to test wafer to screen accepted and defective goods. The probing result refers to an important basis for the IC assembly, and may serve as the reference and evidence for the yield review in the front-end wafer process. The wafer probing is stated as following:



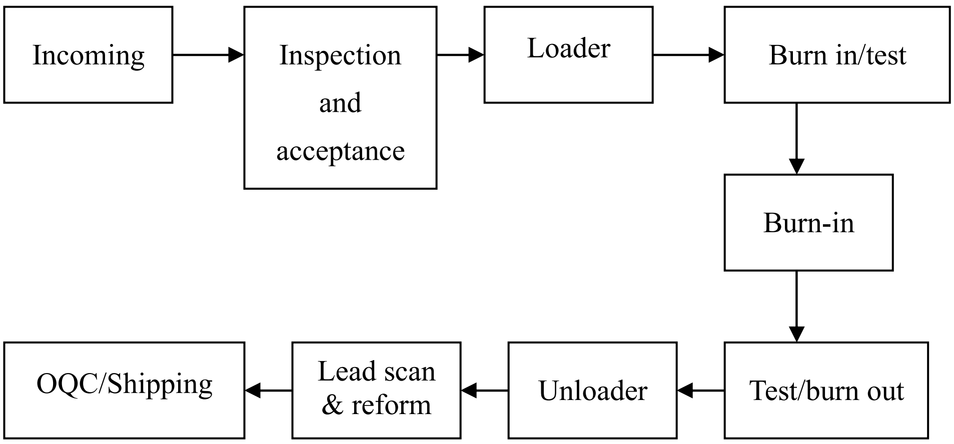
B. IC product testing procedures

The final test is intended to test the packaged IC to distinguish the product quality. The IC passing the test is identified as the finished goods. The conditions for the final test vary depending on the functions of various products. The typical final testing is stated as following:



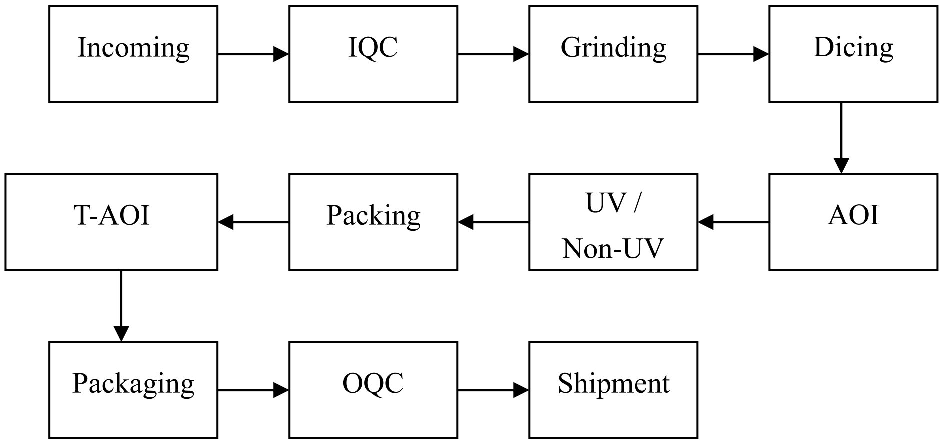
C. Burn-in

Burn-in is intended to test the reliability of IC products and screen unstable ones based on extreme conditions. The main process thereof is stated as following:



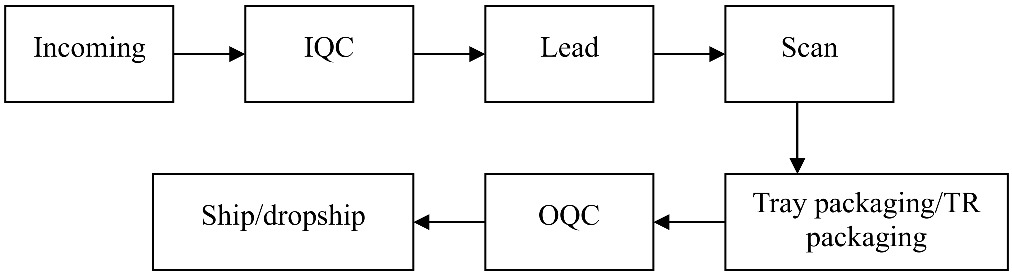
D. Wafer grinding/wafer dicing/waffle packing

The wafer grinding/dicing is primarily intended to grind the finished IC to a specified thickness, and then dice the same to dies for the following wire bonding or package. The main process thereof is stated as following:



E. Lead/dropship

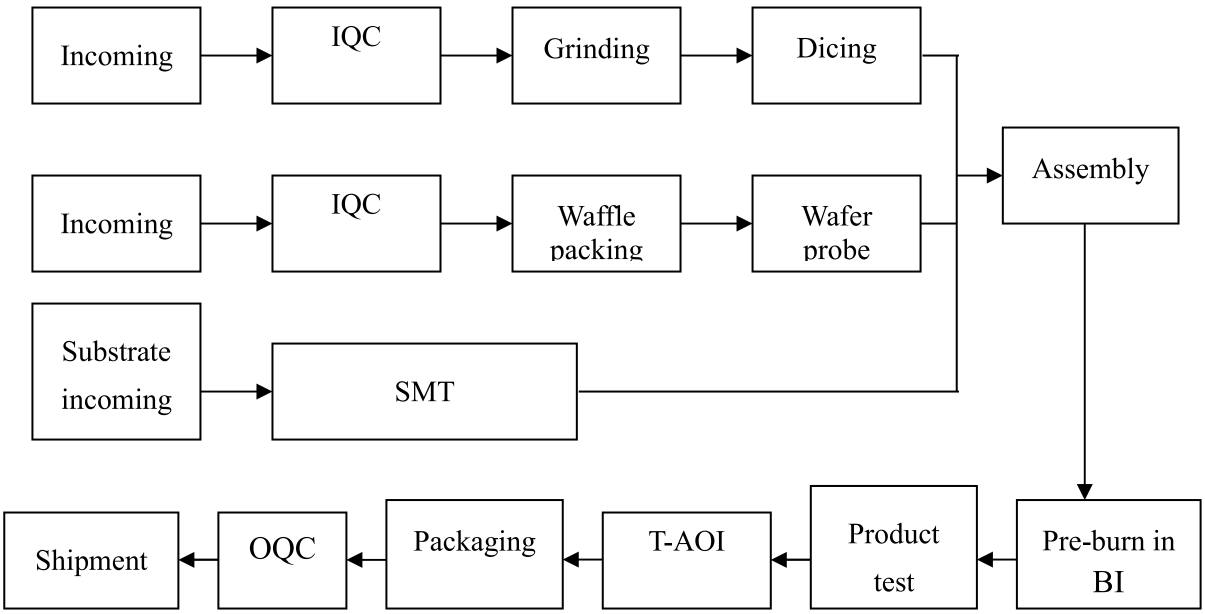
Help the lead scan & reform of tested IC products and pack the same into the tap-on-reel trays designated by customers for convenient shipping and processing, and also provide the Dropship service. The main process thereof is stated as following:



In order to satisfy the customers' demand for said services, the Company works hard to introduce new equipment and improve the process technology, and also research and develop new Burn-in equipment, test programs and related technologies and upgrade the R&D team's level to satisfy the customers and creates higher added value.

F. Package/test

The Company's main package/test products include SIP (SSD/PATA/SATA), MSD/HSSD/UFD QFN, TSOP, BGA and eMMC. Through the overall integrated circuit package and test services provided by the Company, the customers' products may be applied to such products as information, communication, office automation, automotive electronics and consumable electronics successfully.



(III) Supply of main raw materials

The Company is engaged in the technical service industry for the IC industry and, therefore, there is no such problem about supply of main raw materials.

(IV) Information about customers accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the two most recent fiscal years

1. Information about main suppliers: N/A.

Unit: NTD thousand

Item	2019				2018			
	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer
	Net purchases	3,206,947	100	-	Net purchases	2,217,080	100	-

2. Information of main customers: None.

Unit: NTD thousand

Item	2019				2018			
	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer
	Net sales	25,539,437	100	-	Net sales	20,815,369	100	-

Explanation of the reason for increases or decreases

Most of the Company's main customers remained stable from 2018 to 2019. Generally, there was no significant difference arising. Most of the Company's main customers were renowned semi-conductor design companies and semi-conductor manufacturers. The Company also maintained the long-term stable relationship with the customers.

(V) Production volume and value in the latest two years

Quantity: Thousand (pcs)
Unit: NTD thousand

Year / Production volume and value / Main products	2019			2018		
	Production capacity	Quantity	Production value	Production capacity	Quantity	Production value
Wafer test	7,438	4,001	5,994,795	7,615	4,401	5,956,725
Integrated circuits test	12,670,391	7,517,637	8,639,645	13,592,751	7,525,553	7,482,430
Others	4,246,762	3,103,545	5,180,625	3,182,082	2,797,406	2,187,717
Total	-	-	19,815,065	-	-	15,626,872

(VI) Sales volume and value in the last two years

Quantity: Thousand (pcs)
Unit: NTD thousand

Year / Production volume and value / Main products	2019				2018			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer test	2,800	3,807,606	1,235	4,484,181	3,002	3,668,804	1,399	4,781,778
Integrated circuits test	4,052,650	2,978,937	3,313,147	9,335,767	3,779,386	2,628,239	3,736,167	6,970,206
Others	1,047,487	2,019,045	2,035,791	2,913,901	1,300,202	1,173,145	1,473,503	1,593,197
Total	-	8,805,588	-	16,733,849	-	7,470,188	-	13,345,181

III. Information about the employees

Employee Information for the Most Recent Two Years Up to the Publication of this Annual Report

Year		2018	2019	As of February 29, 2019
Number of Employees	Direct employees	3,104	3,058	3,085
	Indirect employees	3,871	4,041	4,063
	Total	6,975	7,099	7,148

Average age		33.9	34.1	34.1
Average years of service		6.3	6.5	6.5
Educational background breakdown	Ph. D.	0.09	0.04	0.04
	Master degree	10.61	10.72	10.47
	University/college	67.61	69.60	70.31
	Senior high school	20.75	18.68	18.23
	Less than senior high school	0.94	0.96	0.95

IV. Information about the expenses of environmental protection

(I) Describing any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions)

No losses or fines incurred due to pollution of environment should be borne by the Company.

(II) The estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company continued to establish multiple energy-saving projects in 2019, and the actual expenditure thereof was about NT$3,807 thousand.

(III) Whether the Company has established any energy-saving and carbon-reduction, GHG reduction, water-saving or other waste management policies?

1. The Company's Chu-Nan Factory, Tong-luo Factory and the assembly factory have established the ISO50001 (energy management system).
2. Chu-Nan Factory recalled about 50.5 tons of waste water through 2019.
3. The energy-saving projects were implemented in whole factories in 2019 and a total of 590,000 degrees of power were saved. The benefit generated therefor amounted to NT$1.59 million.
4. The Company continued to implement the energy-saving project in 2019, and about 6,360,000 degrees of power expected to be saved accordingly.
5. Each factory passed the ISO14001 for environmental management, followed the local competent authorities' policies, and sought the recycling methods to

mitigate the burden imposed by the waste on the environment.

V. Employer and employee relationships

(I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee benefits, continuing education, training:

A. Employees' Welfare Committee: The Company established the Employees' Welfare Committee on September 2, 1993 to engage in planning various employees' welfare policies.

The Committee provides the following subsidies:

a. Childbirth

b. Gift certificates for three major festivals (Lunar Chinese New Year, Dragon Boat Festival and Moon Festival)

c. Gift certificate for birthday

d. Merchants

e. Marriage

f. Funeral

g. Injury and sickness

h. Company dinner party

i. Budget of social activities

j. Periodic organization of various activities and competitions

k. Free massage service

l. Field service of coffee bar

m. Field service of convenient chain store and preferential treatment for shopping

B. Other welfare policies

a. Remuneration to employees

Provide the allocation of incentive compensation for employees subject to their personal performance to share earnings with all colleagues.

b. Free periodic health checkup

The Company values the employees' health very much and arranges the employees to take the free health checkup periodically.

c. Provide diversified activities

Encourage the colleagues to relax and adjust themselves physically and mentally besides the routine work through diversified activity design.

d. Medical room and free medical consultation with specialists

e. Provide colleagues who are away from homo with the employee dormitory (equipped with bed, chair and desk, closet, air conditioner and Wi-Fi)

f. Staff restaurant and meal allowance

g. Reading room, books and magazines, and publications loan service (regular subscription for multiple domestic/foreign books, newspapers and magazines, et al.)

h. Parking lots for cars and motorcycles

i. Incentives to senior employees (with the seniority of 5 years and 10 years)

j. Selection of model employees and reward to the model employees

k. Subsidies to budget of department activities

C. Continuing education/training

The Company is used to sparing no efforts to train talents and develop employees' ability. Therefore, the Company believes that talents should refer to one of the important assets to the Company and also a critical factor to decide the Company's competitive strength and weakness. In order to achieve the goal to train talents, the Company's training system combines the Company's vision, mission, strategy, and core values, and constructs the core competency and management competency required for the various job ranks and required courses to be taken by them based on the analysis information. The Company's training system is categorized into in-house training, off-site training, in-service training, self-inspiration and so on.

For new employees, the Company's establishes the tutorship system to train and certify their work skills to ensure the quality of the test operations. For the staff engaged in production and operation technicians, the skill test should be conducted each year to ensure improving and correct work skills. The high-rank management should tutor and promote the management talents in person to upgrade the effectiveness of both theoretical and practical management. Meanwhile, the Company works hard to promote its core value, build common values and philosophy, and enhance its performance and foundation of competitiveness.

The training is intended to upgrade the inspiration to the colleagues in knowledge and technology, and also to shape the Company's corporate culture, core values and organizational common view. In the future, when facing the changeable environment, the Company will continue to uphold its lifelong-learning philosophy to fulfill the purpose for holistic education.

2. Retirement system and the status of its implementation:

In order to take care of the employees' life after retirement, facilitate the labor-management relations and improve work efficiency, the Company established the Supervisory Committee of Workers' Pension Preparation Fund pursuant to laws. The Committee shall supervise the deposit and disbursement of the Fund, and provide pension reserves at 2% of the total monthly salary and deposit the same at the Bank of Taiwan on a monthly basis pursuant to the relevant requirements. As of July 1, 2005, the employees who apply the new system should contribute the pension at 6% of their personal monthly salary to be deposited at the personal pension account opened in the Bureau of Labor Insurance.

3. Labor-management agreement

In addition to complying with the Labor Standard Act, the Company also sets up the employee's message board and opinion mailbox, and organizes periodic labor-management meeting meetings and employee symposium, etc. The Company values employees' opinion and appoints dedicated personnel to process the opinion. The communication channel between the labor and management is so smooth that the relationship between the labors and management is considered harmonious.

4. Measures for preserving employees' interests and rights

The Company treats its employees in good faith and respectfully, and stabilize the employees' life and improve the continuing education and training channels by broadening its welfare system, and establishes the fair relationship of mutual trust and cooperation with employees. By aligning with the Company's policies, the employees can fully exert the spirit and effectiveness of teamwork, so that the relationship between the labors and management is full of harmonious sense.

(II) Describing any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Important contracts

(I) Supply and distribution contracts

Contract nature	Duration	Main contents	Restrictive terms
Processing contract	2019.01~	Test & processing	Duty of confidentiality to third party

(II) Technologies cooperation contracts

Contract nature	Duration	Main contents	Restrictive terms
Cooperation agreement	2019/11/06~ 2020/04/30	Cooperative research project	Duty of confidentiality to third party

(III) Engineering contracts

Contract nature	Counterparty	Duration	Main contents
Construction contract	UCAN TECHNOLOGY LIMITED	2019/4/2~ 2019/12/31	TL1 4F clean room BUSWAY construction contract
Construction contract	Sun-Jet Precision Inc.	2019/5/15~ 2019/8/30	CH1 Hall (west side) exterior wall decoration, balcony aluminum curtain clad and windbreak room derusting and painting construction (investment) contract
Construction contract	Chia Hsing Construction Engineering Ltd.	2019/10/31~ 2020/5/31	New construction of surrounding pipeline ditching in Hsinchu Science Park Zhunan Base of Miaoli County Government
Construction contract	Vate Technology Co., Ltd.	2019/6/10~ 2019/9/10	CH3 3F SLT area HT-3012CT machine heat rejection improvement construction contract
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2019/1/25~ 2019/4/30	CH4 4F BI District Expansion-Hook up construction (phase 1) contract
Construction contract	Jia Xing Technology Engineering Co., Ltd.	2019/1/29~ 2019/4/30	CH4 4F BI District Expansion-10K District Primary power construction contract

Construction contract	Jia Xing Technology Engineering Co., Ltd.	2019/4/19~ 2019/5/31	HQ 5F clean room modification and secondary power construction (investment) contract
Construction contract	Jim-Mandy Industrial Co., Ltd.	2019/10/1~ 2020/1/31	CH2 LN2 on 4F Flex100 * 3 and Flex-RF * 3 construction contract
Construction contract	Alpha Information Systems, Inc.	2019/4/8~ 2019/6/20	TL1 4F clean room monitoring engineering and construction contract
Construction contract	Chang Hua Water Refiner Co., Ltd.	2019/4/15~ 2019/12/31	CH4 Water System Expansion and Equipment Improvement Construction Contract

(III) Long-term loan contracts

Unit: NTD thousand

Contract nature	Counterparty	Duration	Interest rate (%)	Amount
Loan	Taiwan Business Bank	2019/03/19~2021/03/19	2.37	USD10,000
Loan	Land Bank of Taiwan	2019/03/28~2021/03/28	2.04	USD10,000
Loan	Hua Nan Bank	2019/05/10~2021/05/10	1.98	USD10,000
Loan	Bank Sinopac	2019/05/22~2021/05/22	2.1	USD30,000
Loan	E.Sun Commercial Bank, Ltd.	2019/09/10~2021/09/10	2.3667	USD6,000
Loan	Mega Bank	2019/09/19~2021/09/18	2.0238	USD10,000
Loan	Bank of China Limited	2019/10/15~2021/10/14	1.96	USD25,000
Loan	HSBC Bank (Taiwan) Limited	2019/11/22~2021/11/22	0.85	NTD400,000
Loan	HSBC Bank (Taiwan) Limited	2019/11/22~2021/11/22	2.51	USD14,000
Loan	HSBC Bank (Taiwan) Limited	2019/11/22~2021/11/22	3.99	CNY58,000
Loan	Citibank Taiwan Ltd.	2019/11/30~2021/11/30	3.7	CNY91,000
Loan	MUFG Bank	2019/12/04~2021/12/04	0.8	NTD500,000
Loan	Cathay United Bank Co., Ltd.	2019/12/23~2021/12/23	2.3	USD9,000
Loan	Taiwan Shin Kong Commercial Bank Co., Ltd.	2020/01/31~2022/12/11	2.66	USD9,000
Loan	Mizuho Bank	2020/01/01~2022/01/01	0.83	NTD730,000
Loan	Bank of Taiwan	2020/01/20~2024/01/20	1.3194	NTD900,000
Loan	First Commercial Bank	2020/01/20~2025/01/20	1.35	NTD705,497

Loan	Chang Hwa Commercial Bank	2020/01/20~2025/01/20	1.29811	NTD695,000
Loan	O-Bank Co., Ltd.	2020/02/07~2025/02/07	1.2876	NTD300,000
Loan	Taishin International Bank	2020/02/07~2023/02/07	1.29	NTD500,000
Loan	Taipei Fubon Commercial Bank Co., Ltd	2020/02/07~2023/02/07	1.340496	NTD400,000
Loan	Far Eastern International Bank	2020/02/07~2023/02/07	1.3	NTD500,000
Loan	CTBC BANK Co., Ltd.	2020/02/07~2024/02/07	1.3933	NTD300,000
Loan	Mega Bank	2020/02/07~2025/02/07	1.27	NTD500,000
Mortgage loan	$14.2-billion syndicated loan of Mega Bank	2018/12/07~2023/12/07	1.3947	NTD5,980,000

(IV) Other contracts that would affect shareholders' equity: None.

Five. Overview of finance

I. Condensed balance sheets and statements of comprehensive income for the past five fiscal years, the name of the certified public accountant and the auditor's opinion given thereby

(I) Condensed balance sheet

Condensed consolidated balance sheet

Unit: NTD thousand

Item \ Year		Financial information in the most recent five (5) years				
		2019	2018	2017	2016	2015
Current assets		13,890,983	12,625,373	11,505,395	11,785,560	11,095,165
Property, plant and equipment		36,890,887	31,907,296	26,657,896	28,684,252	25,689,164
Intangible assets		73,795	171,062	44,915	31,619	104,529
Other assets		4,223,484	2,452,028	2,950,038	3,185,667	3,543,278
Total assets		55,079,149	47,155,759	41,158,244	43,687,098	40,432,136
Current liabilities	Before distribution	7,900,969	5,401,904	7,008,005	5,586,934	6,143,296
	After distribution	(Note 1)	7,052,610	9,206,305	7,695,045	7,538,049
Non-current liabilities		20,979,726	17,234,003	9,098,245	14,397,125	11,931,687
Total liabilities	Before distribution	28,880,695	22,635,907	16,106,250	19,984,059	18,074,983
	After distribution	(Note 1)	24,286,613	18,304,550	22,092,170	19,469,736
Total equity attributable to the owner of parent company		26,191,939	24,477,111	25,046,336	23,697,577	22,352,273
Share capital		12,227,451	12,227,451	12,202,383	11,674,833	11,622,944
Additional paid-in capital		4,832,721	4,844,536	5,327,372	4,965,413	5,987,947
Retained earnings	Before distribution	9,534,173	8,208,297	7,746,405	7,241,924	4,548,443
	After distribution	(Note 1)	6,557,591	6,036,616	5,133,813	4,315,984
Other equities		(402,406)	(803,173)	(229,824)	(184,593)	192,939
Treasury stock		-	-	-	-	-
Non-controlling equity		6,515	42,741	5,658	5,462	4,880

Total Equity	Before distribution	26,198,454	24,519,852	25,051,994	23,703,039	22,357,153
	After distribution	(Note 1)	22,869,146	22,853,694	21,594,928	20,962,400

Note 1: To be resolved during the Annual General Meeting 2020.
Note 2: Financial statements for 2015~2019 have been audited and certified by the CPA.

Condensed Summary Balance Sheet of Individual Entity

Unit: NTD thousand

Item \ Year		Financial information in the most recent five (5) years				
		2019	2018	2017	2016	2015
Current assets		11,104,729	10,682,961	9,408,719	9,646,213	8,968,890
Property, plant and equipment		30,379,042	28,321,210	23,397,902	25,387,917	22,531,695
Intangible assets		66,148	162,619	43,316	30,142	33,963
Other assets		8,891,473	7,087,793	7,505,850	7,739,301	7,790,681
Total assets		50,441,392	46,254,583	40,355,787	42,803,573	39,325,229
Current liabilities	Before distribution	6,290,525	4,666,325	6,359,967	4,999,212	5,326,030
	After distribution	(Note 1)	6,317,031	8,558,267	7,107,323	6,720,783
Non-current liabilities		17,958,928	17,111,147	8,949,484	14,106,784	11,646,926
Total liabilities	Before distribution	24,249,453	21,777,472	15,309,451	19,105,996	16,972,956
	After distribution	(Note 1)	23,428,178	17,507,751	21,214,107	18,367,709
Share capital		12,227,451	12,227,451	12,202,383	11,674,833	11,622,944
Additional paid-in capital		4,832,721	4,844,536	5,327,372	4,965,413	5,987,947
Retained earnings	Before distribution	9,534,173	8,208,297	7,746,405	7,241,924	4,548,443
	After distribution	(Note 1)	6,557,591	6,036,616	5,133,813	4,315,984
Other equities		(402,406)	(803,173)	(229,824)	(184,593)	192,939
Treasury stock		-	-	-	-	-
Total Equity	Before distribution	26,191,939	24,477,111	25,046,336	23,697,577	22,352,273
	After distribution	(Note 1)	22,826,405	22,848,036	21,589,466	20,957,520

Note 1: To be resolved during the Annual General Meeting 2020.
Note 2: Financial statements for 2015~2019 have been audited and certified by the CPA.

(II) Condensed comprehensive income statement

Condensed consolidated comprehensive Income Statement (Consolidated)

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2019	2018	2017	2016	2015
Operating revenue	25,539,437	20,815,369	19,686,911	20,081,683	17,128,536
Gross profit	7,015,916	5,363,698	5,782,405	5,929,167	4,793,983
Operating profit (loss)	4,045,014	2,719,681	3,466,624	3,701,931	2,703,360
Non-operating revenue and expense	(130,151)	(330,123)	(531,459)	(111,648)	145,241
Net profit before tax	3,914,863	2,389,558	2,935,165	3,590,283	2,848,601
Continuing departments net income – current period	3,041,484	1,793,890	2,234,080	2,981,777	2,282,273
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) - current period	3,041,484	1,793,890	2,234,080	2,981,777	2,282,273
Other comprehensive income (net after tax) - current period	343,585	(245,673)	(134,992)	(432,787)	(161,565)
Total comprehensive income - current period	3,385,069	1,548,217	2,099,088	2,548,990	2,120,708
Net profit attributable to the owner of parent	3,041,566	1,795,344	2,233,646	2,981,198	2,281,546
Net profit attributable to non-controlling equity	(82)	(1,454)	434	579	727
Comprehensive income attributable to the owner of parent	3,385,203	1,549,371	2,098,892	2,548,408	2,119,822

Comprehensive income attributable to non-controlling equity	(134)	(1,154)	196	582	886
EPS	2.49	1.47	1.88	2.56	1.93

Note 1: Financial statements for 2015~2019 have been audited and certified by the CPA.

Comprehensive Income Statement of Individual Entity

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years				
	2019	2018	2017	2016	2015
Operating revenue	21,845,844	18,469,742	17,532,168	17,937,593	15,182,815
Gross profit	5,736,588	4,844,342	5,217,767	5,407,242	4,473,133
Operating profit (loss)	3,237,339	2,672,603	3,308,786	3,583,651	2,812,511
Non-operating revenue and expense	577,772	(318,946)	(398,164)	(14,594)	29,222
Net profit before tax	3,815,111	2,353,657	2,910,622	3,569,057	2,841,733
Continuing departments net income – current period	3,041,566	1,795,344	2,233,646	2,981,198	2,281,546
Loss of discontinuing operation	-	-	-	-	-
Net income (loss) - current period	3,041,566	1,795,344	2,233,646	2,981,198	2,281,546
Other comprehensive income (net after tax) - current period	343,637	(245,973)	(134,754)	(432,790)	(161,724)
Total comprehensive income - current period	3,385,203	1,549,371	2,098,892	2,548,408	2,119,822
EPS	2.49	1.47	1.88	2.56	1.93

Note: Financial statements for 2015~2019 have been audited and certified by the CPA.

(III) Names of certified public accountant and audit opinions in recent five years

Year	Certified Public Accountant (CPA)	Contents of the opinion	Remarks
2015	CPA of Ernst & Young: Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2016	CPA of Ernst & Young: Chia-Ling Tu Chin-Lai Wang	Unqualified opinion	-
2017	CPA of Ernst & Young: Chia-Ling Tu Shao-Pin Kuo	Unqualified opinion	-
2018	CPA of Ernst & Young: Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	-

2019	CPA of Ernst & Young: Shao-Pin Kuo Wen-Fun Fuh	Unqualified opinion	

II. Financial analysis for the most recent five years

Financial analysis consolidated statements

Analysis items \ Year		Financial analysis in the most recent five years				
		2019	2018	2017	2016	2015
Financial structure %	Ratio of liabilities to assets (%)	52.43	48.00	39.13	45.74	44.70
	Ratio of long-term capital to property, plant and equipment	125.03	129.35	126.43	131.56	132.24
Solvency (%)	Current ratio	175.81	233.72	164.18	210.95	180.61
	Quick ratio	158.68	200.57	151.59	196.69	170.42
	Interest Coverage ratio	13.56	12.66	15.85	19.62	17.58
Operational ability	Receivables turnover (time)	4.45	4.16	4.26	4.73	4.26
	Average cash collection days	82	88	86	77	86
	Inventory turnover (times)	16.44	18.95	23.83	25.48	33.90
	Payables turnover (time)	15.88	16.44	21.32	23.48	23.80
	Average inventory turnover days	22	19	15	14	11
	Property, plant and equipment turnover (time)	0.74	0.71	0.71	0.74	0.69
	Total assets turnover (time)	0.50	0.47	0.46	0.48	0.43
Profitability	Return on assets (%)	6.44	4.43	5.65	7.47	6.05
	Return on equity (%)	11.99	7.24	9.16	12.95	10.07
	Ratio of income before tax to paid-in capital (%)	32.02	19.54	24.05	30.75	24.51
	Net profit margin (%)	11.91	8.62	11.35	14.85	13.32
	EPS (NTD)	2.49	1.47	1.88	2.56	1.93
Cash flow	Cash flow ratio (%)	137.12	156.02	129.50	149.47	134.85
	Cash flow adequacy ratio (%)	85.75	83.43	88.93	90.43	98.32
	Cash reinvestment ratio (%)	7.84	5.72	7.15	7.18	6.82
Leverage	Operating leverage	2.75	3.47	2.83	2.51	2.90
	Financial leverage	1.08	1.08	1.06	1.05	1.07

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%) 1. 3. The decrease in current ratio, quick ratio compared to that in the same period last year were mainly due to the increase in related payables lead by sales growth, and the increase in lease liabilities due within one year by initial application of IFRS 16 "Leases" in January 1, 2019. 2. The main reason for the increase in return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, earnings per share and cash reinvestment ratio compared to the same period last year was that the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up operating revenue. 3. The main reason for the decrease in operating leverage compared to that in the same period in 2018 was that the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up operating revenue.

Note 1: Financial figures for 2015~2019 were based on the financial statements audited and certified by the CPA.

Individual Statement of Financial Analysis

Analysis items (Year)		Financial analysis in the most recent five years				
		2019	2018	2017	2016	2015
Financial structure %	Ratio of liabilities to assets (%)	48.07	47.08	37.94	44.64	43.16
	Ratio of long-term capital to property, plant and equipment	141.99	145.14	143.38	147.48	149.49
Solvency (%)	Current ratio	176.53	228.94	147.94	192.95	168.40
	Quick ratio	158.84	201.88	137.70	180.86	161.83
	Interest Coverage ratio	16.92	13.29	16.63	21.28	18.95
Operational ability	Receivables turnover (time)	4.50	4.14	4.26	4.77	4.29
	Average cash collection days	81	88	86	77	85
	Inventory turnover (times)	16.97	20.50	26.75	28.66	46.44
	Payables turnover (time)	17.85	18.66	25.49	28.53	30.12
	Average inventory turnover days	22	18	14	13	8
	Property, plant and equipment turnover (time)	0.74	0.71	0.72	0.75	0.69
	Total assets turnover (time)	0.45	0.43	0.42	0.44	0.39
Profitability	Return on assets (%)	6.69	4.50	5.74	7.62	6.18
	Return on equity (%)	12.01	7.25	9.16	12.95	10.07

	Ratio of income before tax to paid-in capital (%)	31.20	19.25	23.85	30.57	24.45
	Net profit margin (%)	13.92	9.72	12.74	16.62	15.03
	EPS (NTD)	2.49	1.47	1.88	2.56	1.93
Cash flow	Cash flow ratio (%)	157.85	171.16	133.60	157.86	146.62
	Cash flow adequacy ratio (%)	91.17	85.71	89.64	91.36	99.19
	Cash reinvestment ratio (%)	7.70	5.62	6.96	7.12	6.72
Leverage	Operating leverage	2.97	3.29	2.76	2.48	2.64
	Financial leverage	1.08	1.08	1.06	1.05	1.06

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Analysis is not required if the magnitude of increase or decrease is less than 20%).

1. The decrease in current ratio, quick ratio compared to that in the same period last year were mainly due to the increase in related payables lead by sales growth, and the increase in lease liabilities due within one year by initial application of IFRS 16 "Leases" in January 1, 2019.
2. The average inventory turnover days increased compared with the same period last year mainly due to higher consolidated inventory of the packaging business of Dawning Leading Technology Inc.
3. The main reason for the increase in interest coverage ratio, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, earnings per share and cash reinvestment ratio compared to the same period last year was that the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up operating revenue.

Note: Said financial figures were based on the financial statements audited and certified by the CPA.

The calculation formula for said ratios is identified as following:

1. Financial structure
   (1) Ratio of liabilities to assets = total liabilities/total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (Total equity+Long-term loan) / net of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = sale cost / average inventory.
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total assets turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [Net Income or Loss + Interest expense × (1 - tax rate)] / Average total assets.
   (2) ROE = Income after income tax / average total equity.
   (3) Profit margin = Income After income tax / net sales.
   (4) Earnings per share = (attributable to the shareholder's profit and loss of the parent company - Preferred dividends) / Weighted average number of shares issued. (Note 1)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities during the most recent five years / (capital expenditure + increase in inventory + cash dividends) during the most recent five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + intangible assets + working capital). (Note 2)
6. Leverage:
   (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 3).
   (2) Financial leverage = operating profit / (operating profit - interest expenses).

Note 1: Calculation of earnings per share has taken the following factors into account:

1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation. If the accumulated preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from corporate earnings, if any. In case of loss, no adjustment shall be made.

Note 2: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero".
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to the amount before deducting accumulated depreciation.

Note 3: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

III. Audit Report from the Audit Committee on the Latest Financial Statements

King Yuan Electronics Co., Ltd.
Audit Report from the Audit Committee

This report is to certify that the Company’s 2019 business report, consolidated financial statement (including separate financial statement) and the motion for allocation of earnings were prepared and submitted by the Company's Board of Directors, and the consolidated financial statement (including separate financial statement) contained therein were already audited by EY Taiwan, which also issued its audit report. Said business report, consolidated financial statement (including separate financial statement) and motion for allocation of earnings have also been reviewed by the Committee, which in our opinion comply with the relevant requirements. This report is hereby submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act accordingly.

King Yuan Electronics Co., Ltd.

Convener of Audit Committee: Hsien-Tsun Yang

March 13, 2020

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安永聯合會計師事務所

30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.

Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of King Yuan Electronics Co., Ltd. as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of King Yuan Electronics Co., Ltd. as of December 31, 2019 and 2018, and its financial performance and cash flows for the years ended December 31, 2019 and 2018, in conformity with the requirements of 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 King Yuan Electronics Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2019 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition

King Yuan Electronics Co., Ltd. recognized NT$21,845,844 thousand as net sales. Their main activities are providing testing and assembly services that represented 92%, or NT$20,187,111 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the financial statements.

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT$932,897 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. belongs to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. represented 60% of its total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics Co., Ltd. assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued deprecation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.

We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 and Note 6 in notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 parent company only 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 internal control of King Yuan Electronics Co., Ltd.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within King Yuan Electronics Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 13, 2020

Notice to Readers

- The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

- Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	$4,155,945	8	$3,887,001	9
Financial assets at fair value through profit or loss-current	4, 6(2)	-	-	101,461	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	30,114	-	15,989	-
Contract assets-current	4, 6(15), 6(16), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(16)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(16)	3,730,901	8	3,900,814	8
Accounts receivable from related parties, net	4, 6(5), 6(16), 7	886,172	2	752,618	2
Other receivables		160,100	-	144,666	-
Other receivables from related parties	4, 7	821,474	2	123,577	-
Inventories, net	4, 6(6)	907,842	2	962,615	2
Prepayments	6(7)	204,787	-	300,194	1
Other current assets		76,944	-	190,755	-
Total current assets		11,104,729	22	10,682,961	23
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	4,891,194	10	4,816,516	11
Property, plant and equipment	4, 6(9), 6(19), 7, 8	30,379,042	60	28,321,210	61
Right-of-use asset	4, 6(17)	1,228,619	3	-	-
Intangible assets	4, 6(10), 6(11), 6(23)	66,148	-	162,619	-
Deferred tax assets	4, 6(21)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets		3,487	-	3,487	-
Total non-current assets		39,336,663	78	35,571,622	77
Total assets		$50,441,392	100	$46,254,583	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Contract liabilities-current	4, 6(15)	$52,486	-	$84,834	-
Notes payable		1,633	-	39,512	-
Accounts payable		775,500	1	944,104	2
Accounts payable to related parties	7	31,337	-	12,391	-
Other payables		2,755,371	5	2,129,717	4
Other payables to related parties	7	119,005	-	110,605	-
Payables on equipment		797,050	2	778,069	2
Current tax liabilities	4, 6(21)	666,224	1	288,772	1
Lease liabilities-current	4, 6(17)	788,269	2	-	-
Other current liabilities		303,650	1	278,321	1
Total current liabilities		6,290,525	12	4,666,325	10
Non-current liabilities					
Long-term loans	4, 6(12), 6(19),8	16,944,660	34	16,628,004	36
Deferred tax liabilities	4, 6(21)	39,921	-	-	-
Lease liabilities-noncurrent	4, 6(17)	444,245	1	-	-
Net defined benefit liabilities	4, 6(13)	528,169	1	481,570	1
Guarantee deposits		1,933	-	1,573	-
Total non-current liabilities		17,958,928	36	17,111,147	37
Total liabilities		24,249,453	48	21,777,472	47
Equity					
Share capital	4, 6(14)				
Common stock		12,227,451	24	12,227,451	27
Capital surplus	4, 6(8), 6(14)	4,832,721	10	4,844,536	10
Retained earnings	4, 6(14)				
Legal reserve		2,359,299	5	2,179,765	5
Special reserve		803,172	1	431,239	1
Undistributed earnings		6,371,702	13	5,597,293	12
Total retained earnings		9,534,173	19	8,208,297	18
Other equity	4, 6(14)	(402,406)	(1)	(803,173)	(2)
Total equity		26,191,939	52	24,477,111	53
Total liabilities and equity		$50,441,392	100	$46,254,583	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
Net sales	4, 6(15), 7	$21,845,844	100	$18,469,742	100
Operating costs	4, 6(6), 6(9), 6(10), 6(18), 7	(16,109,256)	(74)	(13,625,400)	(74)
Gross profit		5,736,588	26	4,844,342	26
Operating expenses					
Selling expenses		(389,162)	(2)	(325,580)	(2)
Administrative expenses		(1,211,019)	(5)	(1,116,369)	(5)
Research and development expenses		(879,068)	(4)	(727,857)	(4)
Expected credit losses		(20,000)	-	(1,933)	-
Total operating expenses		(2,499,249)	(11)	(2,171,739)	(11)
Operating income		3,237,339	15	2,672,603	15
Non-operating income and expenses	4, 6(8), 6(9), 6(11), 6(19), 7				
Other income		115,774	-	45,290	-
Other gains and losses		36,200	-	242,583	1
Finance costs		(239,659)	(1)	(191,478)	(1)
Share of profit of associates accounted for using the equity method		665,457	3	(415,341)	(2)
Total non-operating income and expenses		577,772	2	(318,946)	(2)
Net income before income tax		3,815,111	17	2,353,657	13
Income tax expense	4, 6(21)	(773,545)	(3)	(558,313)	(3)
Net income		3,041,566	14	1,795,344	10
Other comprehensive income	4, 6(20)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,862)	(1)	(81,743)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		343,637	1	(245,973)	(2)
Total comprehensive income		$3,385,203	15	$1,549,371	8
Earning per share(NT$)	4, 6(22)				
Basic Earnings Per Share		$2.49		$1.47	
Diluted Earnings Per Share		$2.47		$1.46	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Common stock	Capital surplus	Retained earnings			Other equity			Total Equity
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets	
Balance as of January 1, 2018	$12,202,383	$5,327,372	$1,956,400	$386,010	$5,403,995	$(235,236)	$-	$5,412	$25,046,336
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297
Appropriation and distribution of 2017 earnings :									
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-
Balance as of December 31, 2018	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$-	$24,477,111
Balance as of January 1, 2019	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$-	$24,477,111
Appropriation and distribution of 2018 earnings :									
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	-	3,041,566
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	-	343,637
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	-	3,385,203
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	-	(19,669)
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-
Balance as of December 31, 2019	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$-	$26,191,939

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018
Cash flows from operating activities :		
Profit before tax from continuing operations	$3,815,111	$2,353,657
Adjustments for:		
The profit or loss items which did not affect cash flows:		
Depreciation	6,287,857	6,083,925
Amortization	85,293	39,208
Expected credit loss	20,000	1,933
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)
Interest expenses	239,659	191,478
Interest income	(7,085)	(9,919)
Dividend income	(38,398)	(880)
Investment (gain) loss accounted for using the equity method	(665,457)	415,341
Gain on disposal of property, plant and equipment	(73,578)	(83,565)
Gain on disposal of investments accounted for using the equity method	-	(74,427)
Impairment of non-financial assets	91,181	-
Unrealized foreign exchange (gain) loss	(91,315)	58,154
Changes in operating assets and liabilities：		
Contract assets	163,245	(289,427)
Notes receivable	9,576	(3,189)
Accounts receivable	149,913	46,728
Accounts receivable from related parties	(133,554)	(78,393)
Other receivables	(40,208)	68,803
Other receivables from related parties	(303,220)	127,309
Inventories	54,773	(185,581)
Prepayments	97,163	(33,494)
Other current assets	113,811	82,120
Contract liabilities	(32,348)	84,834
Notes payable	(37,879)	27,697
Accounts payable	(168,604)	(41,577)
Accounts payable to related parties	18,946	5,155
Other payables	625,404	(229,987)
Other payables to related parties	7,698	51,475
Other current liabilities	25,329	10,742
Accrued pension liabilities	(10,926)	(6,842)
Cash generated from operating activities	10,201,963	8,610,860
Interest received	7,259	9,979
Income tax paid	(279,838)	(633,780)
Net cash provided by operating activities	9,929,384	7,987,059

Description	2019	2018
Cash flows from investing activities :		
Proceeds from disposal of financial assets at fair value through other comprehensive income	$-	$1,113
Proceeds from capital return of financial assets at fair value through other comprehensive income	395	8,625
Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Acquisition of investments accounted for using the equity method	(37,070)	(280,938)
Proceeds from capital return of investments accounted for using the equity method	370,891	-
Acquisition of property, plant and equipment	(8,931,451)	(7,755,488)
Proceeds from disposal of property, plant and equipment	308,133	225,975
Decrease in refundable deposits	-	28,337
Acquisition of intangible assets	(24,736)	(15,925)
Proceeds from disposal of intangible assets	-	246
Net cash outflows from acquisition of subsidiaries	-	(209,444)
Increase in other financial assets	(3,213)	(10,391)
Dividend received	49,858	10,940
Net cash used in investing activities	(8,165,308)	(7,996,950)
Cash flows from financing activities :		
Decrease in short-term loans	-	(413,652)
Borrowing in long-term loans	18,179,500	21,368,956
Repayments of long-term loans	(17,783,548)	(18,716,667)
Increase in guarantee deposits	360	450
Cash payment for the principal portion of the lease liabilities	(22,224)	-
Cash dividends	(1,650,706)	(2,198,300)
Interest paid	(218,514)	(187,801)
Net cash used in financing activities	(1,495,132)	(147,014)
Net increase (decrease) in cash and cash equivalents	268,944	(156,905)
Cash and cash equivalents at the beginning of the year	3,887,001	4,043,906
Cash and cash equivalents at the end of the year	$4,155,945	$3,887,001

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("the Company") was incorporated under the Company Law of the Republic of China ("R.O.C) on May 28, 1987 and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of the Company were listed on the Taiwan Stock Exchange. The Company's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements of the Company were approved and authorized for issue by the Board of Directors on March 13, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 "Leases"

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

The Company follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC

4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company needs to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases. The new definition has no significant impact on the Company.

c. The Company as lessee: The Company elected not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. In addition, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company's right-of-use asset and lease liability increased by NT$471,190 thousand and NT$471,190 thousand, respectively.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

on January 1, 2019.

v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4.(13) and Note 6.(17) for additional disclosures required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.8843%.

ii. The difference of the amount NT$208,729 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is presented as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	$300,770
Discounted using the incremental borrowing rate on January 1, 2019	$262,461
Add: adjustments to the options to extend the lease that is reasonably certain to exercise	208,729
The carrying value of lease liabilities recognized as at January 1, 2019	$471,190

(d) The Company as lessor: The Company has not made any adjustments. Please refer to Note 4. (13) and Note 6. (17) for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Definition of a Business - Amendments to IFRS 3	January 1, 2020
B	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
C	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B. Definition of Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

This amendment includes a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

This amendments include:

A. Highly probable requirement

When assessing whether a forecast transaction is highly probable, an entity should assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

B. Prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or the hedging instrument are based is not altered as a result of the interest rate benchmark reform.

C. IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80%~125%) for hedging relationships directly affected by the interest rate benchmark reform.

D. Separately identifiable risk components

For hedges of a non-contractually specified benchmark component of the interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

This amendment also includes the end of application of the exceptions requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual beginning on or after January 1, 2020 and have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet recognized by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 “Insurance Contracts”	January 1, 2021
C	Classification of Liabilities as Current or Non-current- Amendments to IAS 1	January 1, 2022

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

The amendments address the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 "Business Combinations" between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. Classification of Liabilities as Current or Non-current – Amendment to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All other new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

Basis of Preparation

The Company prepared the parent company only financial statements in accordance with the Regulations. According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial statements will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT$”) unless otherwise stated.

Foreign currency transactions

The parent company only financial statements are presented in NT$, which is also the Company’ functional currency.

Transactions in foreign currencies are initially recorded by the Company’s functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is adjustment in "investments accounted for using the equity method". In partial disposal of an associate or joint controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. the Company holds the asset primarily for the purpose of trading;
C. the Company expects to realize the asset within twelve months after the reporting period; or
D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle;
B. the Company holds the liability primarily for the purpose of trading;
C. the liability is due to be settled within twelve months after the reporting period; or
D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 "Financial Instruments" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

   The Company accounts for regular way purchase or sales of financial assets on the trade date.

   The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company's business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (a). purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b). financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

a. the rights to receive cash flows from the asset have expired.
b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 "Financial Instruments" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or

b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to type of hedges used.

When the host contracts are either non-financial assets or labilities, derivative embedded in host contracts are accounted for as separate derivative and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designed at fair value though profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. in the principal market for the asset or liability, or
b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

According to Article 21 of the Regulations, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" and changes in value will be adjusted accordingly. The profit or loss and other comprehensive income presented in parent company only financial statements will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements will be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under "investments accounted for using equity method", "share of profit of subsidiaries and associates accounted for using equity method" and "share of other comprehensive income of subsidiaries and associates accounted for using equity method".

The Company's investment in its associates is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate or investment is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro rata basis.

When the associate issues new shares, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

A. its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 “Impairment of Assets”.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	31 years
Plant equipment	5～16 years
Machinery and equipment	2～ 8 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Right-of-use assets (Note)	6～ 28 years
Leased assets	3～11 years
Leasehold improvements	10 years

Note:
The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The accounting policy from January 1, 2019 is as follows:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019.The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. *The Company as a lessee*

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income .

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. *The Company as a lessor*

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follows:

A. *The Company as a lessee*

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

B. *The Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasure shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasure shares should be recognized under existing capital surplus arising from similar types of treasure shares; losses on retirement of treasure shares should be offset against existing capital surplus form similar types of treasure shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenues arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental services for testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit price is fixed and is stated in the contract. Accordingly, the Company's performance obligations is satisfied over time and the Company recognizes revenues from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After, the customer confirms that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund with the purchase of defectives products. And the warranty is accounted in accordance with IAS 37 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company . Therefore, fund assets are not included in the Company’s parent company only financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholder’s meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

B. Determination the useful lives for plant, property, and equipment

The Company's determination of the useful lives is based on the expected utility and the experience on using similar property, plant and equipment in prior periods. Based on the Company's assets management policy, the Company may dispose of certain assets after consuming the economic benefits of the asset to certain extent.

By considering the Company's previous experience as well as peer experience on using similar property, plant and equipment, on March 14, 2019, the Board of Directors approved to change the estimated useful lives of certain machinery equipment from 6 years to 8 years and certain second-handed machinery equipment from 3 years to 4 years effective from January 1, 2019. The change was aimed at reflecting more accurate useful lives, achieving more reasonable cost allocations, and providing more reliable and relevant information. The change of the accounting estimate decreased the depreciation expenses by NT$932,897 thousands for the year ended December 31, 2019. For more information of depreciation, addition and disposal of property, plant and equipment, please refer to Note 6.

C. Recognition of right-of-use assets and lease liabilities

The Company considers the lease period of the leased assets and the lessee's incremental borrowing interest rate to determine the right-of-use assets and lease liabilities.

To determine the lease period, the Company considers all relevant facts and circumstances that may produce economic incentives to exercise or not to exercise the option to terminate the lease, including expected changes in all facts and conditions from the commencement date of the lease to the exercise date of the option. The main factors to consider include the contract terms and conditions for the period covered by the option and the materiality of the underlying asset to the lessee's operations. When changes of major events or circumstances that are within the control of the Company occur, the lease period is re-evaluated.

In determining a lessee's increment borrowing rate used in discounting lease payments, the Company mainly takes into account the market risk-free rates, the estimated lessee's spread and secured status in a similar economic environment.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Checking and savings accounts	$4,065,945	$3,797,001
Time deposits	90,000	90,000
Total	$4,155,945	$3,887,001

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

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss- current		
Funds	$-	$101,461

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	$30,114	$15,989
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	25,009	26,602
Unlisted company's stocks	2,400,157	1,725,878
Subtotal	2,425,166	1,752,480
Total	$2,455,280	$1,768,469

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The Company received capital returns in the amount of NT$395 thousand and NT$8,625 thousand from its equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018.

Financial assets at fair value through other comprehensive income were not pledged.

(4) Notes receivable

	December 31, 2019	December 31, 2018
Notes receivables from operating activities	$4,268	$13,844
Less: loss allowance	-	-
Total	$4,268	$13,844

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6.(16) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(5) Trade receivables and trade receivables from related parties

	December 31, 2019	December 31, 2018
Trade receivables	$3,777,549	$3,928,197
Less: loss allowance	(46,648)	(27,383)
Subtotal	3,730,901	3,900,814
Trade receivables from related parties	886,172	752,618
Less: loss allowance	-	-
Subtotal	886,172	752,618
Total	$4,617,073	$4,653,432

No trade receivables were pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The receivables are generally on 30 to 120 days terms. Please refer to Note 6.(16) for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk.

(6) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$696,241	$771,444
Work in progress	211,601	191,129
Finished goods	-	42
Total	$907,842	$962,615

The cost of inventories recognized in operating costs for the years ended December 31, 2019 and 2018 amounted to NT$16,109,256 thousand and NT$13,625,400 thousand, respectively, including the write-down of inventories of NT$12,294 thousand and NT$(619) thousand, and scrap loss of NT$3,510 thousand and NT$3,219 thousand, respectively. The reversal is due to the fact that the previous write-down of inventories was disposed which resulted in a reversal of provision recognized previously in 2018.

No inventories were pledged.

(7) Prepayments

	December 31, 2019	December 31, 2018
Prepaid equipment	$124,615	$122,860
Input tax	49,030	133,221
Prepaid expenses	7,704	7,076
Others	23,438	37,037
Total	$204,787	$300,194

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(8) Investments accounted for using the equity method

	December 31,2019		December 31, 2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Subsidiaries:				
KYEC USA Corp.	$11,732	100.00%	$11,499	100.00%
KYEC Investment International Co., Ltd.	4,518,785	100.00%	4,479,700	100.00%
KYEC Technology Management Co., Ltd.	287,967	100.00%	262,356	100.00%
KYEC Japan K.K.	52,497	89.83%	53,592	89.83%
KYEC SINGAPORE PTE. LTD.	2,024	100.00%	1,007	100.00%
King Ding Precision Incorporated Company (King Ding)	74,055	100.00%	34,032	48.94%
Subtotal	4,947,060		4,842,186	
Investment in affiliates:				
Fixwell Technology Corp.	45,305	23.33%	44,418	23.33%
Wei Jiu Industrial Co., Ltd.	19,923	34.00%	17,934	34.00%
Subtotal	65,228		65,352	
Less: deferred credits	(121,094)		(88,022)	
Total	$4,891,194		$4,816,516	

The Company acquired 48.94% ownership and more than half seats of the Board of Directors of King Ding in November 2018. Therefore, a control over King Ding was obtained. The Company acquired the remaining ownership of King Ding in January 2019, and therefore, 100.00% ownership was obtained.

In April 2018, Dawning Leading Technology Inc. (Dawning) reduced its capital to offset deficits and issued new shares right after. The Company subscribed to the new shares by investing NT$245,408 thousand and its ownership over Dawning increased to 33.50%. As the subscription is not proportionate to the Company's original ownership, the Company recorded the difference of NT$33,755 thousand in capital surplus.

For the purpose of integrating resources, enhancing performance, raising competitiveness in response to industry development, the Board of Directors resolved to merge with Dawning on August 7, 2018. After the merger, Dawning was dissolved. The Company paid NT$3.0 per share to acquire the remaining 66.50% ownership interest. The total consideration paid was NT$456,982 thousand. The original 33.50% ownership interest was remeasured at fair value and the Company recognized an investment disposal gain of NT$74,427 thousand.

The merger date was November 1, 2018 and the related registration has been completed. Please refer to Note 6.(23) for more details.

A. Investment in subsidiaries

Investments in subsidiaries are express as "Investments accounted for using the equity method" in the Company's parent company only financial statements with necessary valuation adjustments.

No investments were pledged.

B. Investment in associates

Information on the material associate of the Company:
Company name: Dawning Leading Technology Inc.

The Company recognized the loss of the investment using equity method in the amount of NT$557,408 thousand for the year ended December 31, 2018.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The summarized financial information of the Company's ownership in those associates is as follows:

	Years ended December 31,	
	2019	2018
Net income	$14,336	$16,031
Other comprehensive income, net of tax	-	-
Total comprehensive income	$14,336	$16,031

The investments mentioned above were not pledged.

(9) Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner occupied property, plant and equipment	$30,244,365	
Property, plant and equipment leased out under operating leases	134,677	
Total	$30,379,042	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2019	$1,143,394	$3,754,438	$7,817,632	$72,241,656	$613,182	$43,730	$3,744,120	$4,425	$485,738	$89,848,315
Additions	-	-	283,578	7,657,306	25,316	6,081	274,041	-	703,645	8,949,967
Disposals	-	-	(26,720)	(3,686,787)	(182)	(775)	(87,052)	-	-	(3,801,516)
Transfers	-	(46,968)	-	(16,738)	-	-	-	-	17,969	(45,737)
As of December 31, 2019	$1,143,394	$3,707,470	$8,074,490	$76,195,437	$638,316	$49,036	$3,931,109	$4,425	$1,207,352	$94,951,029
Accumulated Depreciations and Impairment:										
As of January 1, 2019	$-	$1,267,554	$5,212,373	$51,808,120	$511,616	$28,385	$2,809,726	$1,622	$-	$61,639,396
Depreciation	-	119,902	458,764	5,356,353	41,206	5,308	266,938	442	-	6,248,913
Disposals	-	-	(26,720)	(3,121,201)	(182)	(775)	(86,973)	-	-	(3,235,851)
Transfers	-	(12,694)	-	11,633	-	-	-	-	-	(1,061)
Impairment	-	-	-	55,267	-	-	-	-	-	55,267
As of December 31, 2019	$-	$1,374,762	$5,644,417	$54,110,172	$552,640	$32,918	$2,989,691	$2,064	$-	$64,706,664
Net carrying amount as at:										
December 31, 2019	$1,143,394	$2,332,708	$2,430,073	$22,085,265	$85,676	$16,118	$941,418	$2,361	$1,207,352	$30,244,365

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(2) Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	Buildings and facilities	Machinery equipment	Total
Cost:			
As at January 1, 2019	$110,462	$252,265	$362,727
Additions	-	1,167	1,167
Disposals	-	-	-
Transfers	27,244	16,738	43,982
As at December 31, 2019	$137,706	$270,170	$407,876
Depreciation and impairment:			
As at January 1, 2019	$61,756	$188,680	$250,436
Depreciation	4,135	17,567	21,702
Disposals	-	-	-
Transfers	12,694	(11,633)	1,061
As at December 31, 2019	$78,585	$194,614	$273,199
Net carrying amounts as at:			
December 31, 2019	$59,121	$75,556	$134,677

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2018	$1,143,394	$3,845,176	$6,895,627	$65,431,859	$563,047	$41,347	$3,332,758	$4,425	$344,765	$81,602,398
Additions	-	19,724	744,630	6,838,663	39,133	4,119	457,100	-	(7,393)	8,095,976
Acquired through business combination	-	-	194,802	2,682,988	12,944	-	113,873	-	42,433	3,047,040
Disposals	-	-	(17,427)	(2,500,015)	(1,942)	(1,736)	(72,597)	-	-	(2,593,717)
Transfers	-	-	-	40,426	-	-	(87,014)	-	105,933	59,345
As of December 31, 2018	$1,143,394	$3,864,900	$7,817,632	$72,493,921	$613,182	$43,730	$3,744,120	$4,425	$485,738	$90,211,042
Accumulated Depreciations and Impairment:										
As of January 1, 2018	$-	$1,205,274	$4,795,333	$49,026,731	$479,305	$25,044	$2,671,629	$1,180	$-	$58,204,496
Depreciation	-	124,036	434,467	5,274,956	34,253	5,077	210,694	442	-	6,083,925
Disposals	-	-	(17,427)	(2,304,887)	(1,942)	(1,736)	(72,597)	-	-	(2,398,589)
Transfers	-	-	-	-	-	-	-	-	-	-
As of December 31, 2018	$-	$1,329,310	$5,212,373	$51,996,800	$511,616	$28,385	$2,809,726	$1,622	$-	$61,889,832
Net carrying amount as at:										
December 31, 2018	$1,143,394	$2,535,590	$2,605,259	$20,497,121	$101,566	$15,345	$934,394	$2,803	$485,738	$28,321,210

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

a. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2019	2018
Construction in progress	$67,926	$53,795
Capitalization rate of borrowing costs	1.7117~ 1.9678%	1.5518~1.8843%

b. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2019	2018
Acquisition of property, plant and equipment	$8,951,134	$8,095,976
Net increase in payables to equipment suppliers	(18,981)	(334,246)
Net increase in other payables - related parties	(702)	(6,242)
Total	$8,931,451	$7,755,488

	For the years ended December 31,	
	2019	2018
Disposal of property, plant and equipment	$678,210	$283,520
Net decrease (increase) in other receivables	24,600	(24,600)
Net increase in other receivables - related parties	(394,677)	(32,945)
Total	$308,133	$225,975

c. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buidings located in Miaoli County for operational use. The total purchase price was NT $ 850 million (including tax). As of December 31, 2019, the Company has paid the first installment of NT$707,976 thousand and recognized the payment in the construction in progress. According to the purchase agreement, ownership transfer registration shall be completed within four months after obtaining the use license.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

d. As of December 31, 2019, the Company recognized an impairment loss of NT$ 55,267 thousand for certain machinery and equipment which were either damaged or idle and could no longer be used. No such situation occurred in 2018.

e. Please refer to Note 8 for property, plant and equipment under pledges as collateral.

(10) Intangible Asset

	Software	Goodwill	Total
Cost:			
As of January 1, 2019	$188,080	$35,914	$223,994
Additions from acquisitions	24,736	-	24,736
Disposals	(30,077)	-	(30,077)
Transfer	-	-	-
As of December 31, 2019	$182,739	$35,914	$218,653
As of January 1, 2018	$101,930	$-	$101,930
Additions from acquisitions	15,925	-	15,925
Acquired through business combination	17,897	35,914	53,811
Disposals	(36,693)	-	(36,693)
Transfer	89,021	-	89,021
As of December 31, 2018	$188,080	$35,914	$223,994
Amortization and impairment:			
As of January 1, 2019	$61,375	$-	$61,375
Amortization	85,293	-	85,293
Disposals	(30,077)	-	(30,077)
Impairment loss	-	35,914	35,914
As of December 31, 2019	$116,591	$35,914	$152,505

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Software	Goodwill	Total
As of January 1, 2018	$58,614	$-	$58,614
Amortization	39,208	-	39,208
Disposals	(36,447)	-	(36,447)
As of December 31, 2018	$61,375	$-	$61,375
Net carrying amount as of:			
December 31, 2019	$66,148	$-	$66,148
December 31, 2018	$126,705	$35,914	$162,619

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2019	2018
Operating costs	$66,404	$20,747
Sales and administration costs	14,009	12,895
Research and development costs	4,880	5,566
Total	$85,293	$39,208

a. Please refer to Note 6 (23) for more details of goodwill of NT$35,914 thousand.

b. Please refer to Note 6 (11) for goodwill impairment testing.

(11) Goodwill impairment testing

The Company acquired Dawning Leading Technology Inc. in November 2018, and recognized goodwill of NT$35,914 thousand. The goodwill shall be tested for impairment annually. After the acquisition of Dawning Leading Technology Inc., an assembly center was established, and goodwill was allocated to this center (a separate cash-generating unit).

Cash-generating unit of assembly center

As the acquisition date of Dawning Leading Technology Inc. was in November 2018, there is no impairment of goodwill in 2018. However, in 2019, the assembly center suffered an operating loss due mainly to severe competition and the delay in the introduction of new products. The recoverable amount of the assembly center has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 13.60% in 2019. As a result of this analysis, management has recognized an impairment loss of NT$35,914 thousand on goodwill.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for assembly center unit is most sensitive to the following assumptions:

(a) Revenue growth rate applied to cash flow projections.
(b) Discount rates.

Revenue growth rates –revenue growth rate is estimated based on market supply and demand and product implementation progress during the budget period.

Discount rates – discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Company has obligation to settle.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(12) Long-term borrowings

As of December 31, 2019

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Citi Bank	Unsecured bank loans	$ 215,250	2021.11.30	Revolving Credit
SinoPac Bank	Unsecured bank loans	539,640	2021.05.22	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	1,138,600	2021.10.14	Revolving Credit
Cathay United Bank	Unsecured bank loans	269,820	2021.12.23	Revolving Credit
Bank of China	Unsecured bank loans	749,500	2021.10.14	Revolving Credit
Mizuho Bank	Unsecured bank loans	1,230,000	2021.01.01	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	299,800	2021.05.10	Revolving Credit
E. Sun Bank	Unsecured bank loans	239,840	2021.09.10	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	449,700	2021.01.03	Revolving Credit
Mega Bank	Unsecured bank loans	749,500	2021.09.18	Revolving Credit
Land Bank	Unsecured bank loans	269,820	20201.03.28	Revolving Credit
Mega Bank	Unsecured bank loans	319,500	2021.02.12	Repay at maturity
Land Bank	Unsecured bank loans	126,000	2021.02.12	Repay at maturity
Fubon Bank	Unsecured bank loans	175,500	2021.02.09	Repay at maturity
Bank of Taiwan	Unsecured bank loans	479,497	2021.02.12	Repay at maturity

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Land Bank and 13 others	Secured bank loans	3,750,000	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial paper loans	5,680,000	2023.12.06	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 17 others	Secured bank loans	300,000	2023.12.06	25% of principal will be repaid on the day of three and half years after August 13, 2019. The remaining principal will be repaid on maturity day.
Subtotal		16,981,967		
Less: current portion		-		
Less: Arrangement fee		(30,305)		
Less: Unamortized discount		(7,002)		
Total		$ 16,944,660		
Interest Rates		0.83%~4.30%		

As of December 31, 2018

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Standard Chartered Bank	Unsecured bank loans	$600,000	2020.06.30	Revolving Credit
Citi Bank	Unsecured bank loans	460,725	2020.11.30	Revolving Credit
SinoPac Bank	Unsecured bank loans	614,300	2020.05.31	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	276,435	2020.02.26	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
HSBC Taiwan Bank	Unsecured bank loans	1,660,020	2020.10.17	Revolving Credit
Taishin Bank	Unsecured bank loans	289,000	2021.02.09	Revolving Credit
Cathay United Bank	Unsecured bank loans	276,435	2020.12.24	Revolving Credit
First Commercial Bank	Unsecured bank loans	337,865	2020.06.28	Revolving Credit
Bank of China	Unsecured bank loans	300,000	2020.10.14	Revolving Credit
Mizuho Bank	Unsecured bank loans	1,230,000	2021.01.01	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	92,145	2020.11.16	Revolving Credit
E. Sun Bank	Unsecured bank loans	92,145	2020.09.13	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	61,430	2021.01.03	Revolving Credit
Mega Bank	Unsecured bank loans	491,440	2020.09.18	Revolving Credit
Land Bank	Unsecured bank loans	92,145	2020.02.12	Revolving Credit
O Bank	Unsecured bank loans	300,000	2020.11.21	Repay at maturity
Mega Bank	Unsecured bank loans	639,000	2021.02.12	Repay at maturity
Land Bank	Unsecured bank loans	252,000	2021.02.12	Repay at maturity
Chang Hwa Commercial Bank	Unsecured bank loans	263,250	2021.02.09	Repay at maturity
E. Sun Bank	Unsecured bank loans	259,000	2021.02.09	Repay at maturity
Fubon Bank	Unsecured bank loans	351,000	2021.02.09	Repay at maturity

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Bank of Taiwan	Unsecured bank loans	958,994	2021.02.12	Repay at maturity
Fubon Bank and 9 others	Secured bank loans	530,000	2020.09.10	The Company reached a three-year loan extension agreement as of December 31, 2014. The loan is repayable in 6 semi-annual installments from March 10, 2018.
Land Bank and 13 others	Secured bank loans	3,750,000	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial Paper	2,500,000	2023.12.06	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Subtotal		16,677,329		
Less: current portion		-		
Less: Arrangement fee		(43,675)		
Less: Unamortized discount		(5,650)		
Total		$16,628,004		
Interest Rates		0.81%~3.66%		

a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

b. Please refer to Note 9 for the financial covenants during the loan period.

c. The Company’s unused short-term lines of credits amounted to NT$3,058,448 thousand and NT$2,797,687 thousand as at December 31, 2019 and 2018, respectively.

(13) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee's salaries or wages to employee's pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$185,247 thousand and NT$162,061 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$17,986 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

The maturities of the defined benefits plan as at December 31, 2019 and 2018 are both in 2025.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the years ended December 31,	
	2019	2018
Current period service costs	$5,991	$6,176
Interest income or expense	4,527	4,958
Overestimate	21	(43)
Total	$10,539	$11,091

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	For the years ended December 31,	
	2019	2018
Defined benefit obligation at January 1,	$802,898	$752,629
Plan assets at fair value	(274,729)	(271,059)
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	$528,169	$481,570

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2018	$704,482	$(257,858)	$446,624
Current period service costs	6,176	-	6,176
Net interest expense (income)	7,820	(2,862)	4,958
Subtotal	718,478	(260,720)	457,758

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	31,817	-	31,817
Actuarial gains and losses arising from changes in financial assumptions	7,076	-	7,076
Experience adjustments	10,482	-	10,482
Return on plan assets	-	(7,587)	(7,587)
Subtotal	49,375	(7,587)	41,788
Payments from the plan	(15,224)	15,224	-
Contributions by employer	-	(17,976)	(17,976)
As at December 31, 2018	$752,629	$(271,059)	$481,570
Current period service costs	5,991	-	5,991
Net interest expense (income)	7,074	(2,547)	4,527
Subtotal	765,694	(273,606)	492,088
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	55,146	-	55,146
Actuarial gains and losses arising from changes in financial assumptions	(38,952)	-	(38,952)
Experience adjustments	51,181	-	51,181
Return on plan assets	-	(9,850)	(9,850)
Subtotal	67,375	(9,850)	57,525
Payments from the plan	(30,171)	30,171	-
Contributions by employer	-	(21,444)	(21,444)
As at December 31, 2019	$802,898	$(274,729)	$528,169

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2019	December 31, 2018
Discount rate	0.80%	0.94%
Expected rate of salary increases	1.50%	1.50%

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A sensitivity analysis for significant assumption as at December 31, 2019 and 2018 is shown as below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$(45,058)	$-	$(20,657)
Discount rate decrease by 0.5%	76,608	-	42,681	-
Future salary increase by 0.5%	75,659	-	41,901	-
Future salary decrease by 0.5%	-	(45,031)	-	(20,645)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Share capital

As of December 31, 2019 and 2018, the Company's authorized share capital was both NT$15,000,000 thousand; issued share capital was both NT$12,227,451 thousand (1,222,745 thousand shares), with par value of NT$10 per share. Each share has one voting right and a right to receive dividends.

The Company issued overseas unsecured convertible bonds (the KYEC Bonds) on July 29, 2016. For the year 2018, the KYEC Bonds conversation amount was US$2,050 thousand, which was converted into 2,507 thousand shares of the Company's common shares, and the Company issued 1,039 thousand shares and 1,468 thousand shares for capital increase on March 16, 2018 and May 4, 2018, respectively. As of December 31, 2019 and 2018, the capital surplus-convertible bonds option amount was both NT$ 0. The KYEC Bonds have been fully converted as of March 31, 2018.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Capital surplus

	December 31, 2019	December 31, 2018
Additional paid-in capital	$823,017	$823,017
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,756
Long-term equity investment	-	11,814
Total	$4,832,721	$4,844,536

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the Company. When a Company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

a. Reserve for tax payments;
b. Offset prior year's losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholder's meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2019 and 2018, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

The appropriations for earnings for 2018 were resolved by the shareholders in its meeting on June 6, 2019 while the proposed appropriations of earnings for 2019 were approved by Board of Directors on March 13, 2020. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$297,658	$179,534		
Special reserve	(400,766)	371,933		
Cash dividends-common stock	1,956,392	1,650,706	$1.60	$1.35
Total	$1,853,284	$2,202,173		

Based on the distribution proposal submitted by Board of Directors on March 13, 2020, the Company will reduce the capital surplus from share premium by NT$244,549 thousand to distribute cash dividends.

Please refer to Note 6(18) for information regarding the employees' compensations (bonuses) and remunerations to directors.

(15) Operating revenue

	For the years ended December 31,	
	2019	2018
Assembly and testing processing revenue	$20,187,111	$17,417,745
Revenue from rental of machinery	1,095,275	592,975
Rental income from property	32,246	102,787
Other operating revenues	531,212	356,235
Total revenue	$21,845,844	$18,469,742

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Relevant information of revenue from contracts with customers for the years ended December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

Nature of revenue	Timing of revenue recognition	For the years ended December 31,	
		2019	2018
Rendering of services	Over time	$20,187,111	$17,417,745
Revenue from rental of machinery	Over time	1,095,275	592,975
Rental income from property	On a straight-line basis or on a systematic basis (Note)	32,246	102,787
Other operating revenues	At a point in time	531,212	356,235
Total		$21,845,844	$18,469,742

Note: Please refer to Note 6(17) for information regarding leases.

B. Contract balances

(a).Contract assets – current

Nature of revenue	2019.12.31	2018.12.31	2018.01.01
Rendering of services	$126,182	$289,427	$265,510

Please refer to Note 6(16) for more details on effect of impairment. Relevant information of revenue from contracts with customers for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to trade receivables	$288,359	$256,510
Degree of completion measurement	$125,114	$289,427

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(b).Contract liabilities - current

Nature of revenue	2019.12.31	2018.12.31	2018.01.01
Revenue from rental of machinery	$52,486	$84,834	$46,161

Note: The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(16) Expected credit losses

Operating expenses - expected credit losses/ (gains)

	For the years ended December 31,	
	2019	2018
Contract assets	$-	$-
Notes receivable	-	-
Trade receivables	20,000	1,933
Total	$20,000	$1,933

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 are as follows:

A. The gross carrying amount of contract assets is NT$126,182 thousand and NT$289,427 thousand, respectively, that is measured at expected credit loss ratio of 0%.

B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As at December 31, 2019

		Overdue				
Group 1	Not yet due (Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$4,567,054	$52,285	$13,072	$12,819	$-	$4,645,230
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(23,502)	-	(131)	(256)	-	(23,889)
Subtotal	4,543,552	52,285	12,941	12,563	-	4,621,341

		Overdue				
Group 2	Not yet due (Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$233	$-	$186	$8,803	$13,537	$22,759
Loss ratio	100%	-%	100%	100%	100%	
Lifetime expected credit losses	(233)	-	(186)	(8,803)	(13,537)	(22,759)
Subtotal	-	-	-	-	-	-
Total						$4,621,341

As at December 31, 2018

		Overdue				
Group 1	Not yet due (Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$4,346,324	$262,602	$1,469	$64,967	$2,958	$4,678,320
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,582)	-	(15)	(1,299)	(148)	(11,044)
Subtotal	4,336,742	262,602	1,454	63,668	2,810	4,667,276

		Overdue				
Group 2	Not yet due (Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$500	$-	$-	$-	$15,839	$16,339
Loss ratio	100%	-%	-%	-%	100%	
Lifetime expected credit losses	(500)	-	-	-	(15,839)	(16, 339)
Subtotal	-	-	-	-	-	-
Total						$4,667,276

Note: The Company's notes receivable are not overdue.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2019 and 2018 is as follows:

	Contract assets	Notes receivable	Trade receivables
Beginning balance at January 1, 2019	$-	$-	$27,383
Addition for the current period	-	-	20,000
Write off (Note)	-	-	(735)
Ending balance December 31, 2019	$-	$-	$46,648
Beginning balance at January 1, 2018 (in accordance with IAS 39)	$-	$-	$25,450
Beginning balance at January 1, 2018 (in accordance with IFRS 9)	-	-	25,450
Addition/(reversal) for the current period	-	-	1,933
Ending balance December 31, 2018	$-	$-	$27,383

Note: Although the Company wrote off the financial assets during 2019, collection activities are still underway.

(17) Leases

(1) The Company as lessee (applicable to disclosure requirement IFRS 16)

The Company leases land and buildings with lease terms ranging from 6 to 28 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with terms of 1 year. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	$453,948	
Machinery and equipment	774,671	
Total	$1,228,619	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the Company's additions to right-of-use assets amounted to NT$774,671 thousand.

(b) Lease liabilities

	December 31, 2019	December 31, 2018 (Note)
Lease liabilities- current	$788,269	
Lease liabilities- non-current	444,245	
Total	$1,232,514	

Please refer to Note 6(19) C for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Land	$17,242	
Machinery and equipment	-	
Total	$17,242	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$49,181	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	475	
Total	$49,656	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflows relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT$71,880 thousand.

E. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Operating lease commitments-the Company as lessee (applicable to the disclosure requirement in IAS 17)

The Company leases several parcels of land from the ROC government which expire in December 2033. The lease agreements granted the Company the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the lease under certain conditions. Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$21,821
Later than one year and not later than five years		87,286
Later than five years		191,663
Total		$300,770

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$21,821

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) The Company as a lessor (applicable to the disclosure requirement under IFRS 16)

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

	For the years ended December 31,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$32,246	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6(9) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2019 are as follow:

	December 31, 2019	December 31, 2018 (Note)
Not later than one year	$7,255	
Later than one year and not later than five years	187	
Total	$7,442	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(4) Operating lease commitments - the Company as lessor (applicable to the disclosure requirement in IAS 17)

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$4,887
Later than one year and not later than five years		1,749
Total		$6,636

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(18) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2019 and 2018:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$3,896,153	$944,832	$4,840,985	$3,318,671	$780,161	$4,098,832
Labor and health insurance	380,828	69,659	450,487	315,182	57,938	373,120
Pension	154,957	40,829	195,786	138,300	34,852	173,152
Remuneration of directors	-	33,391	33,391	-	20,611	20,611
Other employee benefits expense	204,236	32,665	236,901	171,480	27,211	198,691
Total	$4,636,174	$1,121,376	$5,757,550	$3,943,633	$920,773	$4,864,406
Depreciation	$5,835,042	$452,815	$6,287,857	$5,646,480	$437,445	$6,083,925
Amortization	$66,404	$18,889	$85,293	$20,747	$18,461	$39,208

The average total number of employees was 7,350 and 6,300 as of December 31, 2019 and 2018, respectively. The total number of Board of Directors who has not served as employees was 7 and 7, respectively.

(1) The average amount of employee benefits expense was NT$780 thousand and NT$770 thousand as of December 31, 2019 and 2018, respectively.

(2) The average amount of salaries was NT$659 thousand and NT$651 thousand as of December 31, 2019 and 2018, respectively.

(3) The change rate of average amount of salaries was 1.2% in 2019.

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2019 to be 8% of profit of current period (or NT333,915 thousand) and 0.8% of profit of current period (or NT$33,391 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 13, 2020 to distribute NT$333,915 thousand and NT$33,391 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2019.

Actual distribution of employees' compensation and remuneration to directors of 2018 amounted to NT$206,105 thousand and NT$20,611 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended December 31, 2018.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(19) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income	$7,085	$9,919
Dividend income	38,398	880
Scrape income	11,465	8,026
Others	58,826	26,465
Total	$115,774	$45,290

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	$73,578	$83,565
Gains on disposal of investments	-	74,427
Foreign exchange gains, net	55,551	84,731
Gains on financial assets at fair value through profit or loss (Note)	424	418
Impairment losses –Property, plant and equipment	(55,267)	-
Impairment losses –Goodwill	(35,914)	-
Others	(2,172)	(558)
Total	$36,200	$242,583

Note: Balance in current year was arising from financial assets mandatorily measured at fair value through profit or loss.

C. Finance costs

	For the years ended December 31,	
	2019	2018
Interest expenses on borrowings from bank	$230,782	$191,809
Amortization on bonds payable	-	(331)
Interest expenses on lease liabilities	8,877	(Note)
Total	$239,659	$191,478

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(20) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(57,525)	$-	$(57,525)	$-	$(57,525)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	687,601	(395)	687,206	(136,555)	550,651
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(186,862)	-	(186,862)	37,373	(149,489)
Total of other comprehensive income	$443,214	$(395)	$442,819	$(99,182)	$343,637

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(41,788)	$-	$(41,788)	$-	$(41,788)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(194,614)	30,203	(164,411)	17,118	(147,293)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	(81,743)	-	(81,743)	24,851	(56,892)
Total of other comprehensive income	$(318,145)	$30,203	$(287,942)	$41,969	$(245,973)

(21) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The major components of income tax expense are as follows:

	For the years ended December 31,	
	2019	2018
Current income tax expense:		
Current income tax charge	$657,290	$579,239
Adjustments in respect of current income tax of prior periods	-	8,589
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	116,255	29,411
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(58,926)
Income tax expense recognized in profit or loss	$773,545	$558,313

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$136,555	$(17,118)
Exchange differences resulting from translating the financial statements of a foreign operation	(37,373)	(24,851)
Income tax relating to components of other comprehensive income	$99,182	$(41,969)

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended Dec. 31,	
	2019	2018
Accounting profit before tax from continuing operations	$3,815,111	$2,353,657
Tax at the domestic rates applicable to profits in the country concerned	$763,022	$470,731
Corporate income surtax on undistributed retained earnings	-	16,574
Tax effect of expenses not deductible for tax purposes	(105,732)	91,934
Tax effect of deferred tax assets/liabilities	116,255	29,411
Adjustments in respect of current income tax of prior periods	-	8,589
Deferred tax income relating to changes in tax rate or imposition of new taxes	-	(58,926)
Total income tax expense (income) recognized in profit or loss	$773,545	$558,313

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$495	$(6,119)	$-	$-	$-	$(5,624)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	-	11,054	-	-	-	11,054
Depreciation difference for tax purpose	16,426	7,793	-	-	-	24,219
Unrealized sales discount	6,666	1,150	-	-	-	7,816
Investments accounted for using the equity method	158,590	(129,439)	-	-	-	29,151
Exchange differences resulting from translating the financial statements of foreign operations	73,031	-	37,373	-	-	110,404
Unrealized investment gains and losses	104,007	(1,749)	(136,555)	-	-	(34,297)
Others	10,485	1,055	-	-	-	11,540
Unused tax losses	23,048	-	-	-	-	23,048
Deferred tax income/ (expense)		$(116,255)	$(99,182)	$-	$-	
Net deferred tax assets/(liabilities)	$405,398					$189,961
Reflected in balance sheet as follows:						
Deferred tax assets	$405,398					$229,882
Deferred tax liabilities	$-					$39,921

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(7,812)	$8,307	$-	$-	$-	$495
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Depreciation difference for tax purpose	13,141	3,285	-	-	-	16,426
Unrealized sales discount	3,916	2,750	-	-	-	6,666
Investments accounted for using the equity method	156,482	2,108	-	-	-	158,590
Exchange differences resulting from translating the financial statements of foreign operations	48,180	-	24,851	-	-	73,031
Unrealized investment gains and losses	71,976	14,913	17,118	-	-	104,007
Others	9,017	1,468	-	-	-	10,485
Unused tax losses	26,364	(3,316)	-	-	-	23,048
Deferred tax income/ (expense)		$29,515	$41,969	$-	$-	
Net deferred tax assets/(liabilities)	$333,914					$405,398
Reflected in balance sheet as follows:						
Deferred tax assets	$333,914					$405,398
Deferred tax liabilities	$-					$-

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at		
Entities	Year	Tax losses for the period	December 31, 20109	December 31, 2018	Expiration year
The Company	2009	$372,867	$115,242	$155,242	2019

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amounted to NT$6,345 thousand and NT$0 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investments in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$1,585 thousand and NT$1,500 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company is as follows:

Entities	The assessment of income tax returns
The Company	Assessed and approved up to 2017

Based on the amendments to the Income Tax Act announced, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%. The deferred tax assets will increase NT$58,926 thousand when income tax rate changed.

(22) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31, 2019	For the years ended December 31, 2018
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,041,566	$1,795,344
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,296
Basic earnings per share (NT$)	$2.49	$1.47
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,041,566	$1,795,344
Interest expense from convertible bonds	-	(266)
Profit attributable to ordinary equity owners of the parent after dilution	$3,041,566	$1,795,078
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,296
Effect of dilution:		
Employee compensation－stock (in thousands)	10,499	10,576
Convertible bonds (in thousands)	-	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,233,244	1,232,872
Diluted earnings per share (NT$)	$2.47	$1.46

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(23) Business combinations

The merger with Dawning Leading Technology Inc.("Dawning")

On November 1, 2018, for the purposes of integrating resources, enhancing performance, raising competitiveness in response to industrial development, the Company acquired, in stages, the 100% ownership interest of Dawning. Dawning was originally accounted for as investment using the equity method.

The fair values of the identifiable assets and liabilities of Dawning as of the acquisition date were:

	Fair values recognized on the acquisition date
Assets	
Cash and cash equivalents	$247,538
Accounts receivable (including trad receivables from related parties)	657,356
Inventory	426,604
Property, plant and equipment	3,047,040
Long-term investments	53,694
Intangible assets	17,897
Others	155,764
Subtotal	$4,605,893
Liabilities	
Bank loans	(2,834,445)
Accounts payable	(540,135)
Others	(580,069)
Subtotal	(3,954,649)
Fair value of identifiable net assets	$651,244

Goodwill of Dawning is as follows:	Amount
Acquisition consideration:	
Fair value of equity interest in Dawning originally held by the Company	$230,176
Paid in cash to acquire remaining interests	456,982
Less: identifiable net assets at fair value	(651,244)
Goodwill	$35,914

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Cash flows on acquisition:	Amount
Transaction costs attributable to cash paid	$(456,982)
Net cash acquired from the subsidiary	247,538
Net cash flow out on acquisition	$(209,444)

As some shareholders of Dawning has claimed objections against the merger transaction relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price. Please also refer to Note 9 for the discussion of the court ruling. The abovementioned cash transaction cost of NT$456,982 thousand included the calculated redemption price of NT$52,585 thousand.

The identifiable assets recognized in the financial statements as of December 31, 2018 were based on a provisional assessment for fair value as of March 14, 2019. There could be adjustments on the assessment upon finalizing the valuation report.

The valuation report on the fair value of net assets was completed on March 18, 2019. The difference between the final valuation report and the provisional assessment is not significant.

The goodwill of NT$35,914 thousand comprises the value of expected synergies arising from the acquisition and a customer list. The customer list is not considered separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 “Intangible Assets”.

From the acquisition date to December 31, 2018, Dawning has contributed NT$460,491 thousand of revenue and NT$(32,663) thousand of the net loss before tax to the Company. If the combination had taken place at the beginning of the year, revenue and net income of the Company for the year ended December 31, 2018 would have been NT$20,498,384 thousand and NT$1,153,699 thousand, respectively.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Other related parties (Note 1)	Subsidiary of MediaTek Inc.
Dawning (Note 2)	Associates
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates
KYEC USA Corp.	Subsidiaries
KYEC SINGAPORE PTE. LTD.	Subsidiaries
KYEC Japan K.K.	Subsidiaries
King Long Technology (Suzhou) Ltd.	Subsidiaries
Suzhou Zhengkuan Technology Ltd.	Subsidiaries
King Ding (Note 3)	Subsidiaries

Note 1: The Company's transactions with these companies are not material.

Note 2: The related party transactions disclosed herein include only those transactions occurred before the date of merger (November 1, 2018).

Note 3: The Company acquired control over King Ding in November 2018. Information disclosed herein includes only those transactions occurred after the control was acquired.

B. Significant transactions with related parties

(a). Sales

	For the years ended December 31,	
	2019	2018
MediaTek Inc.	$1,852,957	$ 1,716,536
Mediatek Singapore Pte. Ltd.	913,779	1,081,850
Other related parties	335,943	342,711
Associates	5,930	67,209
Subsidiaries	36,020	23,679
Total	$3,144,629	$3,231,985

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 180 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2019 and 2018 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b). The Company purchased inventories from associates and subsidiaries. For the years ended December 31, 2019, the purchase amounts were NT$51,369 thousand and NT$1,810 thousand, respectively. The Company purchased inventories from associates, for the year ended December 31, 2018, the purchase amount was NT$52,506 thousand and NT$1 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c). The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2019 and 2018, the operating cost recognized amounted to NT$312,790 thousand and NT$207,911 thousand, respectively. The Company appointed a subsidiary to perform machinery repairs. For the years ended December 31, 2019 and 2018, the operating cost recognized amounted to NT$711 thousand and NT$4,562 thousand, respectively.

(d). The Company paid rental expenses for renting machines from associates. For the years ended December 2019 and 2018, the rental expenses amounted to NT$0 thousand and NT$7,114 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(e). Significant property transactions with related parties:

i. Disposal of property, plant and equipment

	For the year ended December 31, 2019		For the year ended December 31, 2018	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
King Long Technology (Suzhou) Ltd.	$596,056	$80,968	$174,863	$38,993
Subsidiaries	34,077	19,738	40,578	3,872
Associates	9,423	5,028	4,824	3,581
Subtotal	639,556	105,734	220,265	46,446
Unrealize gain on disposal in current year (Note)	-	(38,967)	-	(5,418)
Net Amount	$639,556	$66,767	$220,265	$41,028

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31, 2019	For the year ended December 31, 2018
Related party	Purchase price	Purchase price
Subsidiaries	$146,695	$44,327
Associates	106,826	530,915
Total	$253,521	$575,242

The purchase price was determined through mutual agreement based on the market demand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(f). Contract assets

Contract assets - current

	December 31, 2019	December 31, 2018
Other related parties		
MediaTek Inc.	$1,293	$3,189
MediaTek Singapore Pte. Ltd.	500	4,050
Others	-	125
Total	1,793	7,364
Less: loss allowance	-	-
Net	$1,793	$7,364

(g). Trade receivables from related parties

	December 31, 2019	December 31, 2018
MediaTek Inc.	$449,983	$414,807
Mediatek Singapore Pte. Ltd.	310,465	266,512
Airoha Technology Corp.	90,465	47,947
Other related parties	19,391	21,362
Subsidiaries	15,665	1,564
Associates	203	426
Less: loss allowance	-	-
Net	$886,172	$752,618

(h). Other receivables from related parties

	December 31, 2019	December 31, 2018
King Long Technology (Suzhou) Ltd.	$786,490	$24,795
King Ding	16,590	54,968
Suzhou Zhengkuan Technology Ltd.	10,158	32,477
Other related parties	7,956	9,365
Subsidiaries	280	-
Associates	-	1,972
Total	$821,474	$123,577

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(i). Account payables to related parties

	December 31, 2019	December 31, 2018
Wei Jiu Industrial Co., Ltd.	$30,713	$12,391
Subsidiaries	624	-
Total	$31,337	$12,391

(j). Other payables to related parties

	December 31, 2019	December 31, 2018
Fixwell Technology Corp.	$62,269	$46,514
Wei Jiu Industrial Co., Ltd.	27,712	33,073
King Ding	17,955	-
KYEC USA Corp.	6,596	11,979
Other subsidiaries	3,406	4,666
Other related parties	1,067	840
King Long Technology (Suzhou) Ltd.	-	13,533
Total	$119,005	$110,605

(k). The Company paid NT$118,158 thousand and NT$118,276 thousand as commission expenses to the subsidiaries for the years ended December 31, 2019 and 2018, respectively.

(l). Other income

	For the years ended December 31,	
	2019	2018
Subsidiaries	$7,510	$1
Associate	-	2,750
Total	$7,510	$2,751

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Endorsements and Guarantees

As of December 31, 2019, the Company guaranteed Suzhou Zhengkuan Technology Ltd. 's lines of credit which were provided by KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, SinoPac Commercial Bank, E.SUN Bank (China) Dongguan Branch, Bank of Taiwan in Shanghai Branch, and SinoPac Commercial Bank Shanghai Branch. Please refer to Note 9 for more details.

D. Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$123,311	$ 90,561
Post-employment benefits	1,082	1,165
Total	$124,393	$ 91,726

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2019	December 31, 2018	Purpose of pledge
Other non-current financial assets	$113,125	$109,912	Customs clearance
Land	914,594	1,143,394	Long-term borrowings
Building and facility	1,797,524	2,040,259	Long-term borrowings
Machinery equipment	842,178	2,095,813	Long-term borrowings
Total	$3,667,421	$5,389,378	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2019, the following contingencies and material commitments were not included in the Company's financial statements:

A. The Company's issued and outstanding letters of credit is approximately NT$200,212 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$1,031,774 thousand with NT$709,435 thousand already paid and NT$322,339 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$37,110,390 thousand.

D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, SinoPac Bank Commercial Bank, E.SUN Commercial Bank in Dongguan branch, Bank of Taiwan in Shanghai branch and SinoPac Bank Commercial Bank in Shanghai branch in the amount of US$8,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, CNY$30,000 thousand, CNY$30,000 thousand and CNY25,000 thousand, respectively.

E. The Company entered into a syndicated loan agreement with 13 banks, led by Land Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2016 to 2021:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2016 to 2021, Land Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2019, the Company did not violate any financial covenants.

F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The case is still being tried by the Hsinchu District Court.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$-	$101,461
Financial assets at fair value through other comprehensive income	2,455,280	1,768,469
Financial assets measured at amortized cost (Note 1)	9,875,472	8,935,919
Total	$12,330,752	$10,805,849

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Financial liabilities	December 31, 2019	December 31, 2018
Financial liabilities at amortized cost:		
Payables (including related parties)	$808,470	$996,007
Other payables (including related parties)	3,671,426	3,018,391
Long-term loans (including current portion)	16,944,660	16,628,004
Lease liabilities	1,232,514	(Note 2)
Guarantee deposits	1,933	1,573
Total	$22,659,003	$20,643,975

Note:

1. Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.
2. The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives

The objective of the Company’s financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company’s policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense are denominated in a different currency from the Company’s functional currency) and the Company’s net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primary for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company’s foreign currency risk is mainly from the volatility in the exchange rates of US$. The sensitivity analysis is as follows:

When NT$ appreciates or depreciates against US$ by 1%, the profit for the years ended December 31, 2019 and 2018 would have increased / decreased by NT$3,124 thousand and NT$2,044 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s loans and receivables at variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company’s sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT$16,982 thousand and NT$16,677 thousand for the years ended December 31, 2019 and 2018, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2019 and 2018, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT$11,025 thousand and NT$8,518 thousand on the equity attributable to the Company.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As of December 31, 2019 and 2018, receivables from top ten customers represented 49% and 39% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

(5) Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investment in securities with high liquidity, facilities of bank borrowings and issuance of convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2019						
Payables	$4,479,896	$-	$-	$-	$-	$4,479,896
Borrowings	229,493	11,231,460	1,494,818	4,619,832	-	17,575,603
Lease loans (Note)	788,269	13,854	14,116	14,382	401,893	1,232,514
December 31, 2018						
Payables	$4,014,398	$-	$-	$-	$-	$4,014,398
Borrowings	237,046	6,360,701	8,170,603	31,315	2,531,316	17,330,981

Note: Information about the maturities of lease liabilities is provided in the table below:

	Maturity Period				
	Less than 1 year	1 to 5 years	6 to 10 years	> 10 years	Total
Lease liabilities	$788,269	$56,983	$76,137	$311,125	$1,232,514

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2019:

	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$16,628,004	$-	$16,628,004
Beginning adjustments	-	471,190	471,190
Cash flows	395,952	(22,224)	373,728
Non-cash changes			
Syndicated loan issuance costs	13,370	-	13,370
Amortization on commercial paper	(1,351)	-	(1,351)
Addition to right-of-use assets	-	774,671	774,671
Interest on lease liabilities amortization	-	8,877	8,877
Foreign exchange movement	(91,315)	-	(91,315)
As of December 31, 2019	$16,944,660	$1,232,514	$18,177,174

Reconciliation of liabilities for year ended December 31, 2018:

	Short-term borrowings	Long-term loans	Bonds payable	Total liabilities from financing activities
As of January 31, 2018	$-	$11,493,398	$64,829	$11,558,227
Cash flows	(413,652)	2,652,289	-	2,238,637
Non-cash changes				
The exercise of conversion rights	-	-	(64,498)	(64,498)
Loans from acquisition transactions	413,652	2,420,793	-	2,834,445
Syndicated loan issuance costs and amortization on bonds payable	-	3,370	(331)	3,039
Foreign exchange movement	-	58,154	-	58,154
As of December 31, 2018	$-	$16,628,004	$-	$16,628,004

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument.

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$55,123	$-	$2,400,157	$2,455,280

December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss- Fund	$101,461	$-	$-	$101,461
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$25,149	$17,442	$1,725,878	$1,768,469

Transfers between Level 1 and Level 2 during the period

The transfer between Level 1 and Level 2 during 2019 was because of the expiry of lock-up period of the related investments. There was no such transfer during 2018.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2019：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	$1,725,878
Liquidation return of surplus value	(395)
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	674,279
Reversal of liquidation loss recognized in retain earnings	395
Ending balances as at December 31, 2019	$2,400,157

For the year ended December 31, 2018:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2018	$1,844,859
Acquired through business combination	45,711
Capital reduction	(8,625)
Total gains and losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	(152,035)
Liquidation loss recognized in retain earnings	(4,032)
Ending balances as at December 31, 2018	$1,725,878

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

As at December 31, 2019

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets Approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT$265,575 thousand.
Stocks	Markets Approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT$1,426 thousand

As at December 31, 2018

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets Approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT$188,374 thousand.
Stocks	Markets Approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company’s equity by NT$4,359 thousand

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$ 151,257	29.98	$ 4,534,696
JPY	260,886	0.276	72,005
CNY	139,694	4.305	601,381
Monetary financial liabilities			
US$	161,676	29.98	4,847,058
JPY	315,880	0.276	87,183
CNY	138,000	4.305	594,090

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$139,644	30.715	$4,289,154
JPY	481,491	0.2782	133,951
CNY	31	4.472	137
Monetary financial liabilities			
US$	146,297	30.715	4,493,506
JPY	567,100	0.2782	157,767
CNY	-	4.472	-

The Company has various functional currencies, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT$55,551 thousand and NT$84,731 thousand for the years ended December 31, 2019 and 2018, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2019:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held as of December 31, 2019: Please refer to Attachment 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: Please refer to Attachment 3.

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

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

G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.

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

I. Financial instruments and derivative transactions: None.

(2) Information on investees

A. Information regarding investee companies over which the Company can exercises significant influence or control: Please refer to Attachment 7.

B. The following are additional disclosures for investee companies KYEC has significant influence or control over:

a. Financing provided to others: None.

b. Endorsement/Guarantee provided to others: None.

c. Securities held as of December 31, 2019: None.

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

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock: None.

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

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2019: Please refer to Attachment 6.

i. Financial instruments and derivative transactions: None.

(3) Investment in Mainland China: Please refer to Attachment 8.

KING YUAN ELECTRONICS CO., LTD.

Attachment 1

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	The Company	King Long Technology (Suzhou) Ltd.	(Note1)	$5,238,388	$160,160	$-	$-	-	0.00%	$10,476,776	Y	N	Y
2		Suzhou Zhengkuan Technology Ltd.	(Note1)		$1,452,080	$1,355,265	$464,125	-	5.17%		Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2019.

KING YUAN ELECTRONICS CO., LTD. Attachment 2

MARKTEABLE SECURITIES HELD

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2019				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
The Company	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	$-	1.76%	$-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	516,835	7.58%	516,835	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	1,873,338	16.78%	1,873,338	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.97%	-	
	Stock	Unimicron Technology Corporation	-	Current financial assets at fair value through other comprehensive income	717,000	30,114	0.05%	30,114	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	436,046	13,670	1.23%	13,670	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	11,339	0.32%	11,339	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	9,984	17.16%	9,984	

KING YUAN ELECTRONICS CO., LTD.
INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WHICH ACCUMULATED AMOUNT EXCEEDING THE LOWER OF NT$300 MILLION OR 20% OF THE CAPITAL
As of December 31, 2019

Attachment 3

(Amounted in New Taiwan Thousand Dollars and CNY inThousand, Unless Specified otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amounts	Units/Shares	Amounts	Units/Shares	Amounts	Units/Shares	Amounts
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Investments accounted for using the equity method	(Note1)	Subsidiary	-	$-	-	CNY$86,015	-	$-	-	CNY$89,499

Note1：Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd.。

Note2：The amount includes investment income (loss) recognized by using the equity method.

KING YUAN ELECTRONICS CO., LTD. Attachment 4

ACQUISITION OF INDIVIDUAL REAL ESTATE WITH AMOUNT EXCEEDING THE LOWER OF NT$300 MILLION OR 20% OF THE CAPITAL STOCK

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
The Company	Land and building	2019.2.1	$850,000	Prepaid $707,976	Henghou Xingye Co., Ltd.	None	Not applicable				Valuation report and real estate sale and purchase agreement	Purpose: to meet the needs of future operation and development Using status: ownership not transferred	

KING YUAN ELECTRONICS CO., LTD.

Attachment 5

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$1,852,957	8.48%	Month-end 75 days	Note	Month-end 30 to 120 days	$451,276	9.51 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$913,779	4.18%	Month-end 60 days		Month-end 30 to 120 days	$310,965	6.55 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$270,431	1.24%	Month-end 60 days		Month-end 30 to 120 days	$90,465	1.91 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$113,763	4.34%	Month-end 60 days		Month-end 60 to 90 days	$79,283	7.68 %

Note:Comparable to regular customers.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	$457,511 (Note 1)	4.26	$1	-	$277,032	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$312,516 (Note 2)	3.14	$133	-	$194,534	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	$802,048 (Note 3)	3.22	$-	-	$170,967	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$132,224 (Note 4)	1.55	$92,670	-	$15,902	-

Note 1： Includes other receivables - related party amounting toNT$6,235 thousand arising from handling charges, freights and tax fees.

Note 2： Includes other receivables - related party amounting to NT$1,551 thousand arising from customs clearance charges and freights.

Note 3： Includes other receivables - related party amounting to NT$786,490 thousand arising from disposing equipments and accessories.

Note 4： Includes other receivables - related party amounting to NT$52,941 thousand arising from utility fees.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2019

(Amount in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Profits/Losses of Investee	Note
				December 31,2019	December 31,2018	Shares	Percentage of Ownership	CarryingValue			
The Company	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	$4,973	$4,973	160,000	100.00 %	$11,732	$584	$584	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,665,371	164,923,636	100.00 %	4,518,785	601,106	601,106	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	287,967	38,990	38,990	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of Electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	52,497	(711)	(639)	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	2,024	1,254	1,254	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	45,305	39,506	9,287	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision machanical components manufacturing	10,200	10,200	1,020,000	34.00 %	19,923	14,849	5,049	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	35,530	6,600,000	100.00 %	74,055	3,921	3,931	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 150,727	USD 21,175	-	
	Sino-Tech Investment Co., Ltd.	Note 3	Investing activities	USD 32,431	USD 40,000	32,431,235	100.00 %	USD -	(USD 239)	-	
	Strong Outlook Investments Ltd.	Note 2	Investing activities	USD 16,338	USD 21,000	30,337,400	100.00 %	USD -	(USD 148)	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 9,605	USD 21,175	-	

Note 1：101 Meto Drive., #540 San Jose, CA 95110 USA.

Note 2：Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3：Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4：5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5：750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.

Note 6：No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7 : No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 8 : No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 9：P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2019

(Amount in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$544,677 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,707,177 (USD 123,655)	$-	$-	$3,707,177 (USD 123,655)	$652,000 USD 21,175	100%	$652,000 USD 21,175	$4,806,753 USD 160,332	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,291,334 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,828,780 (USD 61,000)	$-	$366,696 (USD 12,231)	$1,462,084 (USD 48,769)	$36,157 USD 1,159	100%	$36,157 USD 1,159	$384,499 USD 12,825	$-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$5,169,261 (USD 172,424)	$5,169,261 (USD 172,424)	$15,715,164

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integarted circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in ZhengKun Technology Ltd. (Suzhou) via Sino-tech Investment Co., Ltd. which is registered in Samoa. Sino-tech Investment Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI. For the purpose of reorganization, the ownership of Suzhou Zhengkuan Technology Ltd. was transferred to King Long Technology (Suzhou) Ltd. in March, 2019.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

KING YUAN ELECTRONICS CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cash and cash equivalents	Including US$13,363 thousand and JPY260,886 thousand	$ 4,065,945	Exchange rate of Dec.31, 2019:
Time deposits		90,000	NT$ 29.98 = US$ 1
Total		$ 4,155,945	NT$ 0.276 = JPY 1

KING YUAN ELECTRONICS CO., LTD.
2.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT
For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2019		Increase in 2019		Decrease in 2019		Unrealized gain or loss on financial assets at fair value through profit or loss	Balance, December 31, 2019		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
KGI Victory Money Market Fund	4,399,937	$ 50,873	-	$ -	(4,399,937)	$ (51,088)	$ 215		$ -	N/A	Note
TCB Taiwan Money Market Fund	4,986,238	50,588	-	-	(4,986,238)	(50,797)	209		-	N/A	Note
Total		$ 101,461		$ -		$ (101,885)	$ 424		$ -		

Note: The Company disposed all of the financial instruments in October 2019.

KING YUAN ELECTRONICS CO., LTD.

3.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-CURRENT

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Financial product	Balance, January 1, 2019		Increase in 2019		Decrease in 2019		Unrealized gain or loss on financial assets at fair value through other comprehensive income	Balance, December 31, 2019		Provide pledged as collateral assets	Note
	Shares	Fair Value	Shares	Fair Value	Shares	Fair Value		Shares	Fair Value		
Unimicron Technology Corporation	717,000	$ 15,989	-	$ -	-	$ -	$ 14,125	717,000	$ 30,114	N/A	
Total		$ 15,989		$ -		$ -	$ 14,125		$ 30,114		

KING YUAN ELECTRONICS CO., LTD.

4.STATEMENT OF NOTES RECEIVABLE, NET

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
GSI Technology Taiwan, Inc.		$ 4,069	
Skytraq Technology, Inc.		199	
Total		4,268	
Less: loss allowance		-	
Net		$ 4,268	

KING YUAN ELECTRONICS CO., LTD.

5.STATEMENT OF TRADE RECEIVABLES, NET

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Hisilicon Tech (Suzhou) Co., Limited		$ 476,519	
Huawei Tech. Investment Co., Ltd.		291,160	
Omnvision Technologies Singapore Pte. Ltd.		205,589	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	2,804,281	
Total		3,777,549	
Less: loss allowance		(46,648)	
Net		$ 3,730,901	

KING YUAN ELECTRONICS CO., LTD.

6.STATEMENT OF TRADE RECEIVABLES FROM RELATED PARTIES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
MediaTek Inc.		$ 449,983	
Mediatek Singapore Pte. Ltd.		310,465	
Airoha Technology Corp.		90,465	
King Long Technology (Suzhou) Ltd.		15,558	
EcoNet (Suzhou) Limited		10,187	
Richtek Technology Corp.		7,379	
Chingis Technology Corporation		1,350	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	785	
Total		$ 886,172	

KING YUAN ELECTRONICS CO., LTD.

7.STATEMENT OF OTHER RECEIVABLES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Other receivables		$ 159,231	
Tax refund		466	
Interest receivable		403	
Total		$ 160,100	

KING YUAN ELECTRONICS CO., LTD.

8.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
King Long Technology (Suzhou) Ltd.		$ 786,490	
King Ding Precision Incorporated Company		16,590	
Suzhou Zhengkuan Technology Ltd.		10,158	
MediaTek Inc.		6,235	
Mediatek Singapore Pte. Ltd.		1,551	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	450	
Total		$ 821,474	

KING YUAN ELECTRONICS CO., LTD.

9.STATEMENT OF INVENTORIES, NET

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	market price	
Raw materials		$ 716,449	$ 716,449	Inventory are valued at the lower of cost and net realized value.
Work in process		211,601	211,601	
Total		928,050	$ 928,050	
Less: allowance for inventory valuation and obsolescence losses		(20,208)		
Net		$ 907,842		

KING YUAN ELECTRONICS CO., LTD.

10.STATEMENT OF OTHER CURRENT ASSETS

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payments on behalf of others		$ 70,212	
Temporary payments		6,732	
Total		$ 76,944	

KING YUAN ELECTRONICS CO., LTD.
11.STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHESIVE INCOME-NON-CURRENT
For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Securities Name	Balance, January 1, 2019				Increase in 2019		Decrease in 2019		Unrealized gain or loss on financial assets at fair value through comprehensive income	Balance, December 31, 2019		Provide pledged as collateral assets	Note
	Shares	Cost of an investment	Unrealized gain or loss	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
ADL Engineering INC.	210,614	$ 327,490	$ (327,490)	$ -	-	$ -	-	$ -	$ -	210,614	$ -	N/A	
Shieh Yong Investment Co., Ltd.	57,810,000	500,000	(97,185)	402,815	-	-	-	-	114,020	57,810,000	516,835	N/A	
APM Communication, Inc.	10,456	23,427	(23,427)	-	-	-	-	-	-	10,456	-	N/A	
Greenliant Systems, Ltd.	2,333,333	30,300	(30,300)	-	-	-	-	-	-	2,333,333	-	N/A	
YANN YUAN Investment Co., Ltd.	25,000,000	1,275,000	17,548	1,292,548	-	-	-	-	580,790	25,000,000	1,873,338	N/A	
Mcube Inc.	528,745	44,880	(44,880)	-	-	-	-	-	-	528,745	-	N/A	
IROC Co., Ltd.	436,046	15,275	2,167	17,442	-	-	-	-	(3,772)	436,046	13,670	N/A	
Subtron Technology Co., Ltd.	927,147	7,983	1,177	9,160	-	-	-	-	2,179	927,147	11,339	N/A	
CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	11,965,500	45,711	(15,196)	30,515	-	-	-	-	(20,531)	11,965,500	9,984	N/A	
Total		$ 2,270,066	$ (517,586)	$ 1,752,480		$ -		$ -	$ 672,686		$ 2,425,166		

KING YUAN ELECTRONICS CO., LTD.
12.STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2019		Increase in 2019		Decrease in 2019		Investment income (loss)	Cumulative translation adjustment	Capital surplus adjustment	Retained earnings adjustment	Balance, December 31,2019			Market Value or Net Assets Value		Provide pledged as collateral assets	Note
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	%	Amount	Unit Price	Total Amount		
KYEC USA Corp.	160,000	$ 11,499	-	$ -	-	$ -	$ 584	$ (351)	$ -	$ -	160,000	100.00%	$ 11,732	$ 73.32	$ 11,732	N/A	
KYEC Investment International Co., Ltd.	177,155,000	4,479,700	-	-	(12,231,364)	(370,891)	601,106	(184,218)	942	(7,854)	164,923,636	100.00%	4,518,785	27.40	4,518,785	N/A	Note1
KYEC Technology Management Co., Ltd.	7,500,000	262,356	-	-	-	-	38,990	(1,600)	(11,779)	-	7,500,000	100.00%	287,967	38.40	287,967	N/A	
KYEC Japan K.K.	1,899	53,592	-	-	-	-	(639)	(456)	-	-	1,899	89.83%	52,497	27,644.60	52,497	N/A	
KYEC SINGAPORE PTE LTD.	78,000	1,007	-	-	-	-	1,254	(237)	-	-	78,000	100.00%	2,024	25.95	2,024	N/A	
Fixwell Technology Corp.	2,800,000	44,418	-	-	-	(8,400)	9,287	-	-	-	2,800,000	23.33%	45,305	16.18	45,305	N/A	Note2
Wei Jiu Industrial Co., Ltd.	1,020,000	17,934	-	-	-	(3,060)	5,049	-	-	-	1,020,000	34.00%	19,923	22.74	19,923	N/A	Note2
King Ding Precision Incorporated Company	3,230,000	34,032	3,370,000	37,070	-	-	3,931	-	(978)	-	6,600,000	100.00%	74,055	11.31	74,055	N/A	Note3
Subtotal		4,904,538		37,070		(382,351)	659,562	(186,862)	(11,815)	(7,854)			5,012,288				
Less:deferred credits		(88,022)		(38,967)		-	5,895	-	-	-			(121,094)				
Total		$ 4,816,516		$ (1,897)		$ (382,351)	$ 665,457	$ (186,862)	$ (11,815)	$ (7,854)			$ 4,891,194				

Note 1: The decrease amount is due to capital reduction.

Note 2: The decrease amount is due to the cash dividends received.

Note 3: The Company acquired new shares in cash.

KING YUAN ELECTRONICS CO., LTD.

13.STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

A. Please refer to Note 6.(9) for more details of the changes in property, plant and equipment and accumulated depreciation of property, plant and equipment.

B. Please refer to Note 8 for property, plant and equipment under pledges.

C. Details of transfer are as following:

Transferred from prepayments	$	1,755
Transferred to intangible assets	$	-

D.Depreciation expense details are as following:

Operating costs	$	5,835,042
Selling expenses		3,105
Administration expenses		366,032
Research and development expenses		83,678
Total	$	6,287,857

KING YUAN ELECTRONICS CO., LTD.
14.STATEMENT OF RIGHT-OF-USE ASSET
For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Balance, January 1, 2019 (Note)	Increase in 2019	Decrease in 2019	Balance, December 31, 2019
Acquisition costs				
Land	$ 471,190	$ -	$ -	$ 471,190
Machinery and equipment	-	774,671	-	774,671
Total costs	471,190	774,671	-	1,245,861
Accumulated depreciation				
Land	$ -	$ 17,242	$ -	$ 17,242
Machinery and equipment	-	-	-	-
Total accumulated depreciation	-	17,242	-	17,242
Book value	$ 471,190	$ 757,429	$ -	$ 1,228,619

Note: The Company recognized the effect of initially applying IFRS 16 as an adjustment to the opening balance at the date of initial application.

KING YUAN ELECTRONICS CO., LTD.

15.STATEMENT OF INTANGIBLE ASSETS AND OTHER ASSETS-NON-CURRENT

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Subtotal	Total	
Intangible assets			$ 66,148	Please refer to Note 6.(10) for more details on intangible assets.
Refundable deposits	Golf club membership deposit	$ 3,000		
	Car rental deposit	230		
	Others	257	$ 3,487	
Other financial assets-non-current	Customs deposit		$ 113,125	Please refer to Note 8 for more details.

KING YUAN ELECTRONICS CO., LTD.

16.STATEMENT OF NOTES PAYABLE

December 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Coretech System Co., Ltd.		$ 851	
HUXEN CORPORATION		378	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	404	
Total		$ 1,633	

KING YUAN ELECTRONICS CO., LTD.

17.STATEMENT OF ACCOUNTS PAYABLE

December 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Answer Technology Co., Ltd.		$ 50,599	
UNIMICRON HOLDING LIMITED		47,058	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	677,843	
Total		$ 775,500	

KING YUAN ELECTRONICS CO., LTD.

18.STATEMENTS OF PAYABLES TO RELATED PARTIES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
Wei Jiu Industrial Co., Ltd.		$ 30,713	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	624	
Total		$ 31,337	

KING YUAN ELECTRONICS CO., LTD.

19.STATEMENT OF OTHER PAYABLES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued payroll and bonuses		$ 870,424	
Accrued payable to employees' compensations and remunerations to directors		372,717	
Accrued accessories expense		328,484	
Accrued utilities expense		97,187	
Accrued labor and health insurance expense		89,633	
Accrued pension expense		33,085	
Accrued repair expense		29,641	
Accrued interest payable		12,047	
Others		922,153	Note
Total		$ 2,755,371	

Note：Mainly indirect supplies.

KING YUAN ELECTRONICS CO., LTD.

20.STATEMENT OF OTHER PAYABLES TO RELATED PARTIES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Related parties	Description	Amount	Note
Fixwell Technology Corp.		$ 62,269	
Wei Jiu Industrial Co., Ltd.		27,712	
King Ding Precision Incorporated Company		17,955	
KYEC USA Corp.		6,596	
KYEC Japan K.K.		3,065	
Others	The amount of each item in "Others" does not exceed NT$1,000 thousand.	1,408	
Total		$ 119,005	

KING YUAN ELECTRONICS CO., LTD.

21.STATEMENT OF PAYABLES TO EQUIPMENT SUPPLIERS

December 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor name	Description	Amount	Note
HON. PRECISION, INC.		$ 386,300	
Foxpert International Mercantile Corporation		73,597	
Teradyne (Asia) Pte. Ltd.		53,385	
ACCRETECH TAIWAN CO., LTD.		38,243	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	245,525	
Total		$ 797,050	

KING YUAN ELECTRONICS CO., LTD.
22.STATEMENT OF LEASE LIABILITIES
December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Period	Discount rate	Balance, December 31, 2019	Note
Land		6 to 28 years	1.8843%	$ 457,843	
Machinery and equipment		1 year	1.7587%	774,671	The purchase option exercisable at the end of lease term has been taken into account.
				1,232,514	
Less: accrued lease payments				(788,269)	
Lease liabilities-non-current				$ 444,245	

KING YUAN ELECTRONICS CO., LTD.

23.STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Receips under custody		$ 260,622	
Unearned receipts		2,239	
Allowance for sales returns and discounts		39,080	
Temporary receipts		1,709	
Total		$ 303,650	

KING YUAN ELECTRONICS CO., LTD.
24.STATEMENT OF LONG-TERM LOANS
December 31, 2019

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan amount	Contract period	Range of interest rates	Terms of repayment	Note
Land Bank and other 13 banks (Note1)	Secured loans	$ 3,750,000	2016.03.10~2021.03.10	1.80%	Please refer to Note 6.(12) for more details.	Please refer to Note 8 for more details on collateral.
Citi Bank	Unsecured loans	215,250	2019.11.30~2021.11.30	3.6%~3.7%		
SinoPac Bank	Unsecured loans	539,640	2019.05.22~2021.05.22	2.69%		
HSBC Taiwan Bank	Unsecured loans	1,138,600	2019.10.14~2021.10.14	0.85%~4.3%		
Cathay United Bank	Unsecured loans	269,820	2019.12.23~2021.12.23	2.6%~2.73%		
Bank of China	Unsecured loans	749,500	2019.10.15~2021.10.14	2.485%~2.5%		
Mizuho Bank	Unsecured loans	1,230,000	2019.01.01~2021.01.01	0.83%		
Hua Nan Commercial Bank	Unsecured loans	299,800	2019.05.10~2021.05.10	2.55%		
E. Sun Bank	Unsecured loans	239,840	2019.09.10~2021.09.10	2.495%~2.566%		
Shin Kong Commercial Bank	Unsecured loans	449,700	2018.01.03~2021.01.03	2.451%~2.683%		
Mega Bank	Unsecured loans	749,500	2019.09.19~2021.09.18	2.27%~2.35%		
Land Bank	Unsecured loans	269,820	2019.03.28~2021.03.28	2.48%		
Mega Bank	Unsecured loans	319,500	2018.02.12~2021.02.12	1.30%		
Land Bank	Unsecured loans	126,000	2018.02.12~2021.02.12	1.30%		
Fubon Bank	Unsecured loans	175,500	2018.02.09~2021.02.09	1.34%		
Bank of Taiwan	Unsecured loans	479,497	2018.02.12~2021.02.12	1.32%		
Mega Bank and other 17 banks (Note2)	Commercial Paper	5,680,000	2018.12.07~2023.12.06	1.269%~1.327%		
Mega Bank and other 17 banks (Note2)	Secured loans	300,000	2018.12.07~2023.12.06	1.80%		
Total		16,981,967				
Less: current portion		-				
Less: Arrangement fee		(30,305)				
Less: Unamortized discount		(7,002)				
Due date beyond one year of long-term loans		$ 16,944,660				

Note1: The Company entered into a syndicated loan agreement in the amount of 5.0 billion with 13 banks including Land Bank of Taiwan (lead bank), Bank of Taiwan, Mega International Commercial Bank, Taipei Fubon Commercial Bank, CTBC Commercial Bank, Taiwan Cooperative Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, SinoPac Bank, E.SUN Commercial Bank, and KGI Commercial Bank.

Note2: The Company entered into a syndicated loan agreement in the amount of 14.2 billion with 17 banks including Mega International Commercial Bank (lead bank), Taipei Fubon Commercial Bank, CTBC Commercial Bank, Bank of Taiwan, Land Bank of Taiwan, O Bank, E. Sun Commercial Bank, Taishin Commercial Bank, SinoPac Bank, First Commercial Bank, Cathay United Commercial Bank, Hua Nan Commercial Bank, Shin Kong Commercial Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, KGI Commercial Bank, and Bank of Panhsin.

KING YUAN ELECTRONICS CO., LTD.

25.STATEMENT OF TOTAL REVENUE

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Assembly and testing processing revenue		$ 20,187,111	
Revenue from rental of machinery		1,095,275	
Rental income from property		32,246	
Other operating revenues		531,212	
Total revenue		$ 21,845,844	

KING YUAN ELECTRONICS CO., LTD.

26.STATEMENT OF COST OF GOODS SOLD

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Cost of goods sold			
Raw materials used			
Balance, beginning of the year		$ 779,357	
Add： purchase		2,561,190	
Less： indirect consumables		(109,816)	
Less： transfer to other expenses		(379,109)	
Less： losses of inventory scrap		(3,510)	
Less： sale of raw materials		(22,651)	
Less： ending balance of the year		(716,449)	
Current consumption		2,109,012	
Direct labor		2,030,944	
Manufacturing overhead		12,732,050	
Manufacturing costs		16,872,006	
Add： work in process, beginning of the year		191,129	
Add： purchase for production consumable		35,931	
Less： transfer to other repair expenses		(242,427)	
Less： transfer to unfinished working orders		(69,585)	
Less： work in process, end of the year		(211,601)	
Cost of finished goods		16,575,453	
Add： finished goods, beginning of the year		42	
Less： finished goods, end of the year		-	
Less： transfer to processing cost		(13,314,973)	
Less： transfer to property, plant and equipments		(504,694)	
Costs of goods sold		2,755,828	
Processing cost		13,314,973	
Sale of raw materials		22,651	
Losses of inventory scrap		3,510	
Inventory valuation and obsolescence loss		12,294	
Operating costs		$ 16,109,256	

KING YUAN ELECTRONICS CO., LTD.

27.STATEMENT OF MANUFACTURING OVERHEAD

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Depreciation		$ 5,835,042	
Indirect labor		2,429,428	
Repairs and maintenance		1,571,416	
Utilities expense		1,150,555	
Consumable materials		801,400	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	944,209	
Total		$ 12,732,050	

KING YUAN ELECTRONICS CO., LTD.

28.STATEMENT OF SALES EXPENSE

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 158,688	
Commission expense		129,498	
Import and export costs		26,189	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	74,787	
Total		$ 389,162	

KING YUAN ELECTRONICS CO., LTD.

29.STATEMENT OF GENERAL EXPENSES

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 498,388	
Depreciation		366,032	
Repairs and maintenance		62,421	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	284,178	
Total		$ 1,211,019	

KING YUAN ELECTRONICS CO., LTD.

30.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expense		$ 361,976	
Indirect consumables		303,321	
Depreciation		83,678	
Others	The amount of each item in "Others" does not exceed 5% of the account balance.	130,093	
Total		$ 879,068	

31. Note 6.(18) for more details on employee benefit, accumulated depreciation, and amortization.

REPRESENTATION LETTER

The entities included in the consolidated financial statements as of December 31, 2019 and for the year then ended prepared under the International Financial Reporting Standards, No.10 are the same as the entities to be included in the combined financial statements of the Company, if any to be prepared, pursuant to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises (referred to as “Combined Financial Statements”). Also, the footnotes disclosed in the Consolidated Financial Statements have fully covered the required information in such Combined Financial Statements. Accordingly, the Company did not prepare any other set of Combined Financial Statements than the Consolidated Financial Statements.

Very truly yours,

King Yuan Electronics Co., Ltd.

Chairman: C. K. Lee

March 13, 2020

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Building a better working world

安永聯合會計師事務所

30078 新竹市新竹科學園區力行一路1號E-3
E-3, No.1, Lixing 1st Rd., Hsinchu Science Park
Hsinchu City, Taiwan, R.O.C.

Tel: 886 3 688 5678
Fax: 886 3 688 6000
www.ey.com/taiwan

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To the Board of Directors and Shareholders
of King Yuan Electronics Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of King Yuan Electronics Co., Ltd. and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years ended December 31, 2019 and 2018 , in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effectively by Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of King Yuan Electronics Co., Ltd. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition

King Yuan Electronics Co., Ltd. and its subsidiaries recognized NT$25,539,437 thousand as net sales. Their main activities are providing testing and assembly services that represented 93%, or NT$23,778,126 thousand in the amount, of the net operating revenues.

Since the primary activities of King Yuan Electronics Co., Ltd. and its subsidiaries are providing testing and assembly services, and the services comprise various wafers/integrated circuits testing and assembly processing and rental of machinery, timing of revenue recognition may vary due to varied nature of revenues that increases the complexity of the revenue recognition. Therefore, we determined the matter to be a key audit matter.

Our audit procedures include (but are not limited to) assessing the appropriateness of the accounting policy for revenue recognition; evaluating and testing the effectiveness of internal control relating to the timing of revenue recognition, analyzing the reasonableness of gross profit margin by products, performing cutoff testing for a period before and after the balance sheet date on a sampling basis, performing test of details on selected samples, reviewing the significant terms of sales agreements and examining relevant delivery documents, and reviewing the selected samples of the quantity, specification, period and relevant documents of machinery services.

We also considered the appropriateness of the disclosures of sales. Please refer to Note 4 and Note 6 in notes to the consolidated financial statements.

Extension of useful lives of Property, Plant and Equipment

On March 14, 2019, the Board of Directors approved to extend the estimated useful lives of certain machinery equipment effective from January 1, 2019. The change in the accounting estimate decreased depreciation expenses by NT$995,843 thousands for the year ended December 31, 2019. King Yuan Electronics Co., Ltd. and its subsidiaries belong to the semiconductor industry, which is highly capital intensive. Property, plant and equipment of King Yuan Electronics Co., Ltd. and its subsidiaries represented 67% of its consolidated total assets. Accordingly, the reasonableness of the change in the useful lives of machinery equipment will affect the production costs and profitability of King Yuan Electronics Co., Ltd. and its subsidiaries significantly. Therefore, we determined the matter to be a key audit matter.

Our auditing procedures include (but are not limited to) obtaining a representation letter issued by King Yuan Electronics and its subsidiaries, assessing the reasonableness of the change in the estimated useful lives since January 1, 2019, obtaining the appraisal report issued by the external appraiser and reviewing whether the conclusion of the appraisal report is in line with the assumptions used by King Yuan Electronics Co., Ltd. and its subsidiaries, obtaining the adjusted property list and confirming the completeness of the list, checking the accuracy of the remaining useful lives of the machinery equipment and vouching the accrued deprecation expenses, etc., in order to ensure consistency, selecting samples, during the year end substantive testing, to recalculate the depreciation and amortization expenses based on the revised useful lives, perform physical count, and inspect related documents prepared by each department for the reassessment of the estimated useful lives.

We also considered the appropriateness of the disclosures of plant, property and equipment. Please refer to Note 4, Note 5 and Note 6 in notes to the consolidated financial statements.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of King Yuan Electronics Co., Ltd. and its subsidiaries.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of King Yuan Electronics Co., Ltd. and its subsidiaries.

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 ability to continue as a going concern of King Yuan Electronics Co., Ltd. and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause King Yuan Electronics Co., Ltd. and its subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of King Yuan Electronics Co., Ltd. as of and for the years ended December 31, 2019 and 2018.

Kuo, Shao-Pin

Fuh, Wen-Fun

Ernst & Young, Taiwan
March 13, 2020

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2019	%	December 31, 2018	%
Current assets					
Cash and cash equivalents	4, 6(1)	$6,166,005	11	$4,786,626	10
Financial assets at fair value through profit or loss-current	4, 6(2)	-	-	101,461	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	30,114	-	15,989	-
Contract assets-current	4, 6(17), 6(18), 7	126,182	-	289,427	1
Notes receivable, net	4, 6(4), 6(18)	4,268	-	13,844	-
Accounts receivable, net	4, 6(5), 6(18)	4,936,281	9	4,418,689	9
Accounts receivable from related parties, net	4, 6(5), 6(18), 7	911,027	2	769,731	2
Other receivables		278,134	1	233,559	1
Other receivables from related parties	4, 7	7,956	-	11,337	-
Inventories, net	4, 6(6)	1,081,035	2	1,137,152	2
Prepayments	6(7)	272,607	1	656,455	2
Other current assets		77,370	-	191,099	-
Other financial assets-current	8	4	-	4	-
Total current assets		13,890,983	26	12,625,373	27
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	2,425,166	5	1,752,480	4
Investments accounted for using the equity method	4, 6(8)	65,228	-	62,352	-
Property, plant and equipment	4, 6(9), 7, 8	36,890,887	67	31,907,296	68
Right-of-use asset	4, 6(19)	1,373,907	2	-	-
Intangible assets	4, 6(10), 6(12), 6(25)	73,795	-	171,062	-
Deferred tax assets	4, 6(22), 6(23)	229,882	-	405,398	1
Other financial assets-non-current	8	113,125	-	109,912	-
Other non-current assets	4, 6(11)	16,176	-	121,886	-
Total non-current assets		41,188,166	74	34,530,386	73
Total assets		$55,079,149	100	$47,155,759	100

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

(continued)

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2019	%	December 31, 2018	%
Current liabilities					
Short-term loans	4, 6(13), 9	$493,383	1	$111,879	-
Contract liabilities-current	4, 6(17), 7	68,330	-	130,203	-
Notes payable		1,633	-	50,156	-
Accounts payable		1,054,963	2	1,183,765	2
Accounts payable to related parties	7	30,713	-	12,391	-
Other payables		2,973,602	5	2,276,173	5
Other payables to related parties	7	91,048	-	80,831	-
Payables on equipment		963,512	2	800,724	2
Current tax liabilities	4, 6(23)	723,277	1	291,830	1
Lease liabilities-current	4, 6(19)	792,980	1	-	-
Current portion of long-term liabilities	4, 6(14), 8, 9	403,605	1	184,284	-
Other current liabilities		303,923	1	279,668	1
Total current liabilities		7,900,969	14	5,401,904	11
Non-current liabilities					
Long-term loans	4, 6(14), 8, 9	19,924,440	36	16,750,860	36
Deferred tax liabilities	4, 6(23)	39,921	-	-	-
Lease liabilities-non-current	4, 6(19)	485,263	1	-	-
Net defined benefit liabilities	4, 6(15)	528,169	1	481,570	1
Guarantee deposits		1,933	-	1,573	-
Total non-current liabilities		20,979,726	38	17,234,003	37
Total liabilities		28,880,695	52	22,635,907	48
Equity attributable to owners of the parent company					
Share capital	4, 6(16)				
Common stock		12,227,451	22	12,227,451	26
Capital surplus	4, 6(16)	4,832,721	9	4,844,536	10
Retained earnings	4, 6(16)				
Legal reserve		2,359,299	4	2,179,765	4
Special reserve		803,172	2	431,239	1
Undistributed earnings		6,371,702	12	5,597,293	12
Total retained earnings		9,534,173	18	8,208,297	17
Other equity	4	(402,406)	(1)	(803,173)	(1)
Equity attributable to owners of the parent company		26,191,939	48	24,477,111	52
Non-controlling interests	4, 6(16)	6,515	-	42,741	-
Total equity		26,198,454	48	24,519,852	52
Total liabilities and equities		$55,079,149	100	$47,155,759	100

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2019	%	2018	%
Net sales	4, 6(17), 7	$25,539,437	100	$20,815,369	100
Operating costs	4, 6(6), 6(9), 6(10), 6(15), 6(19), 6(20), 7	(18,523,521)	(73)	(15,451,671)	(74)
Gross profit		7,015,916	27	5,363,698	26
Operating expenses	4, 6(9), 6(10), 6(15), 6(18), 6(19), 6(20), 7				
Selling expenses		(398,765)	(2)	(331,677)	(2)
Administrative expenses		(1,516,321)	(6)	(1,400,283)	(7)
Research and development expenses		(1,035,207)	(4)	(909,086)	(4)
Expected credit losses		(20,609)	-	(2,971)	-
Total operating expenses		(2,970,902)	(12)	(2,644,017)	(13)
Operating income		4,045,014	15	2,719,681	13
Non-operating income and expenses	4, 6(8), 6(9), 6(12), 6(21), 7				
Other income		188,133	1	91,280	-
Other gains and losses		(20,947)	-	324,961	2
Finance costs		(311,673)	(1)	(204,987)	(1)
Share of profit of associates accounted for using the equity method		14,336	-	(541,377)	(3)
Total non-operating income and expenses		(130,151)	-	(330,123)	(2)
Net income before income tax		3,914,863	15	2,389,558	11
Income tax expense	4, 6(23)	(873,379)	(3)	(595,668)	(2)
Net income		3,041,484	12	1,793,890	9
Other comprehensive income	4, 6(22)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(57,525)	-	(41,788)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		687,206	3	(164,411)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(136,555)	(1)	17,118	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(186,914)	(1)	(81,443)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		37,373	-	24,851	-
Other comprehensive income, net of tax		343,585	1	(245,673)	(1)
Total comprehensive income		$3,385,069	13	$1,548,217	8
Net income attributable to :					
Owners of the parent company		$3,041,566	12	$1,795,344	9
Non-controlling interests		(82)	-	(1,454)	-
		$3,041,484	12	$1,793,890	9
Total comprehensive income attributable to :					
Owners of the parent company		$3,385,203	13	$1,549,371	8
Non-controlling interests		(134)	-	(1,154)	-
		$3,385,069	13	$1,548,217	8
Earning per share(NT$)	4, 6(24)				
Basic Earnings Per Share		$2.49		$1.47	
Diluted Earnings Per Share		$2.47		$1.46	

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company									Non-controlling interests	Total Equity
			Retained earnings			Other equity					
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets	Equity attributable to owners of the parent		
Balance as of January 1, 2018	$12,202,383	$5,327,372	$1,956,400	$386,010	$5,403,995	$(235,236)	$-	$5,412	$25,046,336	$5,658	$25,051,994
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961	-	48,961
Balance at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297	5,658	25,100,955
Appropriation and distribution of 2017 earnings:											
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344	(1,454)	1,793,890
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)	300	(245,673)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371	(1,154)	1,548,217
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498	-	64,498
Non-controlling interests	-	-	-	-	-	-	-	-	-	38,237	38,237
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-	-	-
Balance as of December 31, 2018	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$-	$24,477,111	$42,741	$24,519,852
Balance as of January 1, 2019	$12,227,451	$4,844,536	$2,179,765	$431,239	$5,597,293	$(292,128)	$(511,045)	$-	$24,477,111	$42,741	$24,519,852
Appropriation and distribution of 2018 earnings:											
Legal reserve	-	-	179,534	-	(179,534)	-	-	-	-	-	-
Special reserve	-	-	-	371,933	(371,933)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,650,706)	-	-	-	(1,650,706)	-	(1,650,706)
Profit for the year ended December 31, 2019	-	-	-	-	3,041,566	-	-	-	3,041,566	(82)	3,041,484
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(57,525)	(149,489)	550,651	-	343,637	(52)	343,585
Total comprehensive income	-	-	-	-	2,984,041	(149,489)	550,651	-	3,385,203	(134)	3,385,069
Changes in ownership interests in subsidiaries	-	(11,815)	-	-	(7,854)	-	-	-	(19,669)	(36,092)	(55,761)
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	395	-	(395)	-	-	-	-
Balance as of December 31, 2019	$12,227,451	$4,832,721	$2,359,299	$803,172	$6,371,702	$(441,617)	$39,211	$-	$26,191,939	$6,515	$26,198,454

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts in thousands of New Taiwan Dollars)

Description	2019	2018	Description	2019	2018
Cash flows from operating activities :			**Cash flows from investing activities :**		
Profit before tax from continuing operations	$3,914,863	$2,389,558	Proceeds from disposal of financial assets at fair value through other comprehensive income	$-	$1,113
Adjustments for :			Proceeds from capital return of financial assets at fair value through other comprehensive income	395	8,625
The profit or loss items which did not affect cash flows:			Proceeds from disposal of financial assets at fair value through profit or loss	101,885	-
Depreciation	6,971,919	6,686,191	Acquisition of investments accounted for using the equity method	-	(245,408)
Amortization	87,531	40,203	Acquisition of property, plant and equipment	(11,621,595)	(8,680,807)
Expected credit loss	20,609	2,971	Proceeds from disposal of property, plant and equipment	121,535	271,099
Gains on financial assets and liabilities at fair value through profit or loss	(424)	(418)	Increase in refundable deposits	(192)	-
Interest expenses	311,673	204,987	Decrease in refundable deposits	-	29,842
Interest income	(12,617)	(22,217)	Acquisition of intangible assets	(26,418)	(23,774)
Dividend income	(38,398)	(880)	Net cash outflows from acquisition of subsidiaries	-	(167,009)
Investment (gain) loss accounted for using the equity method	(14,336)	541,377	Increase in other financial assets	(3,213)	(9,923)
Gain on disposal of property, plant and equipment	(8,338)	(165,812)	Decrease in other prepayments	-	2,142
Gain on disposal of investments accounted for using the equity method	-	(74,427)	Dividend received	49,858	10,940
Impairment of non-financial assets	91,181	-	Net cash used in investing activities	(11,377,745)	(8,803,160)
Unrealized foreign exchange (gain) loss	(234,047)	72,386			
Changes in operating assets and liabilities :					
Contract Assets	163,245	(289,427)			
Notes receivable	9,576	(3,188)			
Accounts receivable	(538,180)	82,660	**Cash flows from financing activities :**		
Accounts receivable from related parties	(141,296)	(96,583)	Increase in short-term loans	780,438	111,142
Other receivables	(73,767)	9,337	Decrease in short-term loans	(377,519)	(413,652)
Other receivables from related parties	3,264	145,199	Borrowing in long-term loans	21,591,057	21,516,981
Inventories	44,717	(209,119)	Repayments of long-term loans	(17,999,744)	(19,017,327)
Prepayments	(8,927)	(282,075)	Increase in guarantee deposits	360	449
Other current assets	113,729	82,154	Cash payment for the principal portion of the lease liabilities	(28,023)	-
Contract liabilities	(61,873)	85,963	Cash dividends	(1,650,706)	(2,198,300)
Notes payable	(48,523)	38,341	Acquisition of ownership interests in subsidiaries	(37,070)	-
Accounts payable	(128,802)	(11,431)	Interest paid	(264,581)	(201,192)
Accounts payable to related parties	18,322	5,155	Net cash provided by (used in) financing activities	2,014,212	(201,899)
Other payables	673,593	(204,160)	Effect of changes in exchange rate on cash and cash equivalents	(90,580)	(31,174)
Other payables to related parties	13,937	48,768	Net increase (decrease) in cash and cash equivalents	1,379,379	(608,403)
Other current liabilities	24,255	9,025	Cash and cash equivalents at the beginning of the year	4,786,626	5,395,029
Accrued pension liabilities	(10,926)	(6,842)	Cash and cash equivalents at the end of the year	$6,166,005	$4,786,626
Cash generated from operating activities	11,141,960	9,077,696			
Interest received	17,209	23,704			
Income tax paid	(325,677)	(673,570)			
Net cash provided by operating activities	10,833,492	8,427,830			

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

1. Organization and Operation

King Yuan Electronics Co., Ltd. ("KYEC") was incorporated under the Company Law of the Republic of China ("R.O.C) on May 28, 1987, and commenced operations on July 23, 1987. The Company primarily engages in the business of design, manufacturing, selling, testing and assembly service of integrated circuits, and also engages in manufacturing and selling of IC Monitoring Burn-In machinery and related components. On May 9, 2001, the shares of KYEC were listed on the Taiwan Stock Exchange. KYEC's registered office and the main business location is at No. 81, Sec. 2, Gongdaowu Road, Hsinchu City 300, Republic of China (R.O.C.).

2. Date and Procedures of Authorization of Financial Statements for Issue

The accompanying consolidated financial statements of KYEC and its subsidiaries ("the Company") were approved and authorized for issue by the Board of Directors on March 13, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) Change in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

A. IFRS 16 "Leases"

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

The Company follows the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

a. Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b. For the definition of a lease, the Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company needs to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases. The new definition has no significant impact on the Company.

c. The Company as lessee: The Company elected not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. In addition, the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Company’s right-of-use asset and lease liability increased by NT$522,423 thousand, and NT$522,423 thousand, respectively.

In addition, on January 1, 2019, for leases that had previously been classified as operating leases applying IAS 17 and whose rent had been paid in full, the Company reclassified the long-term rental prepayment of NT$106,246 thousand to the right-of-use asset.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4.(14) and Note 6.(19) for additional disclosures required by IFRS 16.

(c) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.8843%.
ii. The difference of the amount NT$259,962 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at December 31, 2018, discounted using the incremental borrowing rate on January 1, 2019; and 2) lease liabilities recognized in the balance sheet as at January 1, 2019 is presented as follows:

Operating lease commitments disclosed applying IAS 17 as at December 31, 2018	$300,770
Discounted using the incremental borrowing rate on January 1, 2019	$262,461
Add: adjustments to the options to extend the lease that is reasonably certain to exercise	259,962
The carrying value of lease liabilities recognized as at January 1, 2019	$522,423

(d) The Company as lessor: The Company has not made any adjustments. Please refer to Note 4. (14) and Note 6. (19) for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	Definition of a Business - Amendments to IFRS 3	January 1, 2020
B	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
C	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B. Definition of Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

This amendment includes a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

This amendments include:

A. Highly probable requirement
When assessing whether a forecast transaction is highly probable, an entity should assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

B. Prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or the hedging instrument are based is not altered as a result of the interest rate benchmark reform.

C. IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80% ~ 125%) for hedging relationships directly affected by the interest rate benchmark reform.

D. Separately identifiable risk components
For hedges of a non-contractually specified benchmark component of the interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

This amendment also includes the end of application of the exceptions requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual beginning on or after January 1, 2020 and have no material impact on the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
A	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
B	IFRS 17 "Insurance Contracts"	January 1, 2021
C	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2022

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendment)

The amendments address the inconsistency between the requirements in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture. IFRS 10 requires full profit or loss recognition on the loss of control of a subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 "Business Combinations" between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C. Classification of Liabilities as Current or Non-current – Amendment to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All other new or amended standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and TIFRS as endorsed by FSC.

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accompanying consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee;
b. rights arising from other contractual arrangements;
c. the Company's voting rights and potential voting rights.

KYEC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date the Company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared for the same reporting period with the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
b. derecognizes the carrying amount of any non-controlling interest;
c. recognizes the fair value of the consideration received;
d. recognizes the fair value of any investment retained;
e. recognizes any surplus or deficit in profit or loss; and
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership	
Investor	Subsidiary	Business nature	2019.12.31	2018.12.31
KYEC	KYEC USA Corp.	Sales agent and business communication in USA	100.00	100.00
KYEC	KYEC Investment International Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Technology Management Co., Ltd.	General investing	100.00	100.00
KYEC	KYEC Japan K.K.	Manufacturing and sales of electronic parts and components, sales agent and business communication in Japan	89.83	89.83
KYEC	KYEC SINGAPORE PTE. Ltd.	Sales agent and business communication in Southeast Asia and Europe	100.00	100.00
KYEC	King Ding Precision Incorporated Company	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	100.00 (Note 1)	48.94
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	94.02	94.02
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	General investing	5.98	5.98
KYEC Microelectronics Co., Ltd.	King Long Technology (Suzhou) Ltd.	Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integrated circuits	100.00	100.00

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

			Percentage of Ownership	
Investor	Subsidiary	Business nature	2019.12.31	2018.12.31
KYEC Investment International Co., Ltd.	Sino-Tech Investment Co., Ltd.	General investing	100.00	100.00
KYEC Investment International Co., Ltd.	Strong Outlook Investments Ltd.	General investing	100.00	100.00
Sino-Tech Investment Co., Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	- (Note2)	61.88
Strong Outlook Investments Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	- (Note2)	38.12
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery	100.00 (Note2)	-

Note1:

KYEC acquired 48.94% ownership and more than half seats of the Board of Directors of King Ding Precision Incorporated Company in November 2018. Therefore, control over King Ding Precision Incorporated Company was obtained. KYEC acquired the remaining ownership of King Ding Precision Incorporated Company in January 2019, and therefore, 100% ownership was obtained.

Note2:
For the purpose of reorganization, the ownership of Suzhou Zhengkuan Technology Ltd. which was previously held by Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd., was transferred to King Long Technology (Suzhou) Ltd. Thereafter, Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd. entered the liquidation process in December 2019.

Foreign currency transactions

The Company's consolidated financial statements are presented in NT$, which is also the parent company's functional currency. Each entity in the Company determines its functional currency upon its primary economic environment and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and

B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

Current and non-current distinction

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
B. the Company holds the asset primarily for the purpose of trading;
C. the Company expects to realize the asset within twelve months after the reporting period; or
D. the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
A. the Company expects to settle the liability in its normal operating cycle;
B. the Company holds the liability primarily for the purpose of trading;
C. the liability is due to be settled within twelve months after the reporting period; or
D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within twelve months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

a. the Company’s business model for managing the financial assets and
b. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
b. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

b. 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

a. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
b. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
c. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (a). purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
   (b). financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets are classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets are measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

a. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

a. at an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

b. at an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
c. for trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
d. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:
a. the rights to receive cash flows from the asset have expired.
b. the Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
c. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 “Financial Instruments”.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

A financial liability is classified as held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

a. it eliminates or significantly reduces a measurement or recognition inconsistency; or
b. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value though profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. in the principal market for the asset or liability, or
b. in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on weighted average method

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

Investments accounted for using the equity method

The Company's investment in its associates is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new shares, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in capital surplus and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "Impairment of Assets". In determining the value in use of the investment, the Company estimates:

A. its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
B. the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for goodwill impairment testing in IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, Plant and Equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	20～31 years
Plant equipment	5～16 years
Machinery and equipment	2～ 8 years
Transportation equipment	3～ 6 years
Office equipment	3～ 5 years
Right-of-use assets (Note)	6～ 58 years
Leased assets	3～11 years
Leasehold improvements	10 years

Note:
The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The accounting policy from January 1, 2019 as follows:

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the contract, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019.The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

A. The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

B. *The Company as a lessor*

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and presents them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before January 1, 2019 as follows:

A. *The Company as a lessee*
Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

B. *The Company as a lessor*
Leases in which the Company does not transfer substantially all the risks and benefits of

ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A. Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b. its intention to complete and its ability to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

B. Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3~5 years).

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, The Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, The Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

Treasury shares

Acquisitions of the shares of the Company (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration, if reissues, is recognized in capital surplus under equity.

When the retirement of treasure shares, capital surplus – share premiums and share capital are debited proportionately, gains on retirement of treasure shares should be recognized under existing capital surplus arising from similar types of treasure shares; losses on retirement of treasure shares should be offset against existing capital surplus form similar types of treasure shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

Revenue recognition

The Company's revenues arising from contracts with customers are mainly rendering of processing services and rental of testing machinery. The accounting policies are explained as follows:

A. Rendering of services

The Company's primary activity is to conduct testing and assembly services based on customer's specification demand. According to the customer contract, the ownership of the work in process belongs to the customer. The customer controls the work in process when the Company provides services to create or enhance it. Accordingly, the Company's performance obligation is satisfied over time and the Company, based on the consideration stated in the customer contract (less estimated volume discount), recognizes service revenues over time. The Company estimates the volume discounts using the expected value method based on historical experiences. However, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, when the Company transfers those processed assets to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transferring those processed assets to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company transfers those processed assets to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

B. Revenue from rental of machinery

The Company provides rental of testing machineries based on customers' demand. According to the contract, the Company provides tailored machineries to customers for testing purposes for a certain period of time. During the contract period, those machineries are for the contracted customers' use only, and will not be mixed with other testing machineries. Meanwhile, during the contract period, those machineries are still under control of the Company, the customer does not have the right to control over or to direct the right of use of the rented machineries. Usually, the unit rental price is fixed and is stated in the contract. Accordingly, the Company's performance obligations is satisfied over time and the Company recognizes revenues from rental of the machinery by rental hours or testing volume multiplied by the fixed unit price, or over the rental period on a straight line basis.

The credit period of the Company's service revenue is from 30 to 120 days. For most of the contracts, the Company recognizes trade receivables upon the completion of rental period. These trade receivables usually have short period and no significant financial component is arisen.

For some machinery rental contracts, prepayments are received from customers upon signing the contract, the Company then has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

C. Sales of machinery

The Company manufactures and sells professional testing machinery. Those machineries must be tested for specifications according to the contract signed by both parties before being delivered to customers. The Company performs the specification test in accordance with the contract and issues a machinery inspection report to the customer. After the customer confirms that the operating data and function of the machineries have met the specification stated in the inspection report, the machinery can be delivered to the customer's designated location stated in the contract and the control of the machinery can be transferred. At this time, the customer has the right to determine the sales channels and price of those testing machineries, and has the ability to prevent other companies from directing the use and obtaining the benefits of these products. Thus, the Company recognizes the revenue generated from the sales of machineries.

Considering the fact that assisting customers for the machinery installation and providing safety guidance are not significant, so the Company issues an invoice with total consideration to the customer and recognizes the amount as trade receivables upon the delivery of the machinery. In addition, the period between the sales of machinery and the actual receipt of the payment is within one year, therefore, there is no significant financial component. The Company provides its customer with a warranty for refund with the purchase of defectives products. And the warranty is accounted in accordance with IAS 37 as liability provision.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Post-employment benefits

All regular employees of KYEC are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with KYEC. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognizes unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

A. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when distribution proposal is approved by the shareholder's meeting.

B. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

a. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Company acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

B. Determination the useful lives for plant, property, and equipment

The Company's determination of useful lives is based on the expected utility and the experience on using similar property, plant and equipment in prior periods. Based on the Company's assets management policy, the Company may dispose of certain assets after consuming the economic benefits of the assets to certain extent.

By considering the Company's previous experience as well as peer experience on using similar property, plant and equipment, on March 14, 2019, the Board of Directors approved to change the estimated useful lives of certain machinery equipment from 6 years to 8 years and certain second-handed machinery equipment from 3 years to 4 years effective from January 1, 2019. The change was aimed at reflecting more accurate useful lives, achieving more reasonable cost allocations, and providing more reliable and relevant information. The change of the accounting estimate decreased the depreciation expense by NT$995,843 thousands for the year ended December 31, 2019. For more information of depreciation, addition and disposal of property, plant and equipment, please refer to Note 6.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Recognition of right-of-use assets and lease liabilities

The Company considers the lease period of the leased assets and the lessee's incremental borrowing interest rate to determine the right-of-use assets and lease liabilities.

To determine the lease period, the Company considers all relevant facts and circumstances that may produce economic incentives to exercise or not to exercise the option to terminate the lease, including expected changes in all facts and conditions from the commencement date of the lease to the exercise date of the option. The main factors to consider include the contract terms and conditions for the period covered by the option and the materiality of the underlying asset to the lessee's operations. When changes of major events or circumstances that are within the control of the Company occur, the lease period is re-evaluated.

In determining a lessee's increment borrowing rate used in discounting lease payments, the Company mainly takes into account the market risk-free rates, the estimated lessee's spread and secured status in a similar economic environment.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$713	$748
Checking and savings accounts	6,062,897	4,546,559
Time deposits	102,395	239,319
Total	$6,166,005	$4,786,626

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

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss- current		
Funds	$-	$101,461

Financial assets at fair value through profit or loss were not pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity instrument investments measured at fair value through other comprehensive income- current		
Listed company's stocks	$30,114	$15,989
Equity instrument investments measured at fair value through other comprehensive income- non-current		
Listed company's stocks	25,009	26,602
Unlisted company's stocks	2,400,157	1,725,878
Subtotal	2,425,166	1,752,480
Total	$2,455,280	$1,768,469

The Company received capital returns in the amount of NT$395 thousand and NT$8,625 thousand from its equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2019 and 2018.

Financial assets at fair value through other comprehensive income were not pledged.

(4) Notes receivable

	December 31, 2019	December 31, 2018
Notes receivables from operating activities	$4,268	$13,844
Less: loss allowance	-	-
Total	$4,268	$13,844

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6 (18) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(5) Trade receivables and trade receivables from related parties

	December 31, 2019	December 31, 2018
Trade receivables	$4,983,364	$4,446,483
Less: loss allowance	(47,083)	(27,794)
Subtotal	4,936,281	4,418,689
Trade receivables from related parties	911,027	769,731
Less: loss allowance	-	-
Subtotal	911,027	769,731
Total	$5,847,308	$5,188,420

No trade receivables were pledged.

The receivables are generally on 30 to 120 days terms. Please refer to Note 6 (18) for more details on loss allowance of trade receivables for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk.

(6) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$789,707	$855,661
Work in progress	223,213	210,074
Finished goods	68,115	71,417
Total	$1,081,035	$1,137,152

The cost of inventories recognized in operating costs for the years ended December 31, 2019 and 2018 amounted to NT$18,523,521 thousand and NT$15,451,671 thousand, respectively, including the write-down of inventories of NT$15,729 thousand and NT$114 thousand, and scrap loss of NT$3,510 thousand and NT$3,219 thousand, respectively.

No inventories were pledged.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(7) Prepayments

	December 31, 2019	December 31, 2018
Prepaid equipment	$125,545	$413,788
Prepaid expenses	72,472	69,723
Input tax	51,152	135,907
Others	23,438	37,037
Total	$272,607	$656,455

(8) Investments accounted for using the equity method

	December 31, 2019		December 31, 2018	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Fixwell Technology Corp.	$45,305	23.33%	44,418	23.33%
Wei Jiu Industrial Co., Ltd.	19,923	34.00%	17,934	34.00%
Total	$65,228		$62,352	

In April 2018, Dawning Leading Technology Inc. (Dawning) reduced its capital to offset deficits and issued new shares right after. The Company subscribed to the new shares by investing NT$245,408 thousand and its ownership over Dawning increased to 33.50%. As the subscription is not proportionate to the Company's original ownership, the Company recorded the difference of NT$33,755 thousand in capital surplus.

For the purpose of integrating resources, enhancing performance, raising competitiveness in response to industry development, the Board of Directors resolved to merge with Dawning on August 7, 2018. After the merger, Dawning was dissolved. The Company paid NT$3.0 per share to acquire the remaining 66.50% ownership interest. The total consideration paid was NT$456,982 thousand. The original 33.50% ownership interest was remeasured at fair value and the Company recognized an investment disposal gain of NT$74,427 thousand.

The merger date was November 1, 2018 and the related registration has been completed. Please refer to Note 6(25) for more details.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Investment in associates

Information on the material associate of the Company:
Company name: Dawning Leading Technology Inc.

The Company recognized the loss of the investment using equity method in the amount of NT$557,408 thousand for the year ended December 31, 2018.

The Company's investments in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. are not individually material. The aggregated carrying amounts of the Company's interests in Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd. were NT$65,228 thousand and NT$62,352 thousand, respectively, as at December 31, 2019 and 2018. The summarized financial information of the Company's ownership in those associates is as follows:

	Years ended December 31	
	2019	2018
Net income	$14,336	$16,031
Other comprehensive income, net of tax	-	-
Total comprehensive income	$14,336	$16,031

The investments mentioned above were not pledged.

(9) Property, plant and equipment

	December 31, 2019	December 31, 2018 (Note)
Owner occupied property, plant and equipment	$36,779,355	
Property, plant and equipment leased out under operating leases	111,532	
Total	$36,890,887	

Note: The Company adopted IFRS 16 since January1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2019	$1,143,394	$4,700,454	$8,275,234	$78,622,911	$711,410	$48,856	$5,114,784	$4,425	$677,083	$99,298,551
Additions	-	-	494,405	7,678,238	27,647	6,081	348,564	-	3,224,561	11,779,496
Disposals	-	-	(55,145)	(2,702,344)	(43,440)	(775)	(127,585)	-	-	(2,929,289)
Transfers	-	20,304	-	2,706,187	1,254	-	55,741	-	(2,361,721)	421,765
Exchange differences	-	(37,820)	(16,859)	(241,911)	(2,805)	(205)	(52,423)	-	(7,655)	(359,678)
As of December 31, 2019	$1,143,394	$4,682,938	$8,697,635	$86,063,081	$694,066	$53,957	$5,339,081	$4,425	$1,532,268	$108,210,845
Accumulated Depreciations and Impairment:										
As of January 1, 2019	$-	$1,642,145	$5,484,142	$56,133,580	$589,492	$32,255	$3,616,172	$1,623	$-	$67,499,409
Depreciation	-	167,396	514,435	5,833,242	45,693	5,760	365,704	442	-	6,932,672
Disposals	-	-	(55,145)	(2,622,329)	(39,177)	(775)	(123,383)	-	-	(2,840,809)
Transfers	-	43,196	-	4,858	(206)	-	(12,008)	-	-	35,840
Impairment	-	-	-	55,267	-	-	-	-	-	55,267
Exchange differences	-	(17,800)	(11,598)	(185,104)	(2,282)	(175)	(33,930)	-	-	(250,889)
As of December 31, 2019	$-	$1,834,937	$5,931,834	$59,219,514	$593,520	$37,065	$3,812,555	$2,065	$-	$71,431,490
Net carrying amount as at:										
December 31, 2019	$1,143,394	$2,848,001	$2,765,801	$26,843,567	$100,546	$16,892	$1,526,526	$2,360	$1,532,268	$36,779,355

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(2) Property, plant and equipment leased out under operating leases (applicable under IFRS 16 requirements)

	Buildings and facilities	Machinery equipment	Total
Cost:			
As at January 1, 2019	$189,678	$196,421	$386,099
Additions	-	1,167	1,167
Disposals	-	-	-
Transfers	(40,028)	22,438	(17,590)
Exchange differences	(3,170)	-	(3,170)
As at December 31, 2019	$146,480	$220,026	$366,506
Depreciation and impairment:			
As at January 1, 2019	$104,911	$173,034	$277,945
Depreciation	4,813	9,814	14,627
Disposals	-	-	-
Transfers	(24,206)	(11,634)	(35,840)
Exchange differences	(1,758)	-	(1,758)
As at December 31, 2019	$83,760	$171,214	$254,974
Net carrying amounts as at:			
December 31, 2019	$62,720	$48,812	$111,532

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(3) Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings and facilities	Plant equipment	Machinery equipment	Office equipment	Transportation equipment	Miscellaneous equipment	Leasehold equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of January 1, 2018	$1,143,394	$4,884,238	$7,258,471	$71,590,546	$653,833	$46,562	$4,613,080	$4,425	$345,729	$90,540,278
Additions	-	23,661	854,162	7,305,529	48,710	4,119	588,811	-	183,005	9,007,997
Addition- acquired through business combination	-	-	194,802	2,682,988	12,944	-	113,873	-	42,433	3,047,040
Disposals	-	-	(26,253)	(2,707,967)	(2,674)	(1,736)	(93,414)	-	-	(2,832,044)
Transfers	-	-	-	40,426	-	-	(87,014)	-	105,933	59,345
Exchange differences	-	(17,767)	(5,948)	(92,190)	(1,403)	(89)	(20,552)	-	(17)	(137,966)
As of December 31, 2018	$1,143,394	$4,890,132	$8,275,234	$78,819,332	$711,410	$48,856	$5,114,784	$4,425	$677,083	$99,684,650
Accumulated Depreciations and Impairment:										
As of January 1, 2018	$-	$1,581,088	$5,039,910	$53,246,263	$555,859	$28,406	$3,429,675	$1,181	$-	$63,882,382
Depreciation	-	172,773	474,740	5,703,830	37,433	5,647	291,326	442	-	6,686,191
Disposals	-	-	(26,253)	(2,579,216)	(2,602)	(1,736)	(91,794)	-	-	(2,701,601)
Exchange differences	-	(6,805)	(4,255)	(64,263)	(1,198)	(62)	(13,035)	-	-	(89,618)
As of December 31, 2018	$-	$1,747,056	$5,484,142	$56,306,614	$589,492	$32,255	$3,616,172	$1,623	$-	$67,777,354
Net carrying amount as at:										
December 31, 2018	$1,143,394	$3,143,076	$2,791,092	$22,512,718	$121,918	$16,601	$1,498,612	$2,802	$677,083	$31,907,296

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

a. Capitalized borrowing costs of property, plant and equipment are as follows:

	For the years ended December 31,	
	2019	2018
Construction in progress	$92,113	$53,795
Capitalization rate of borrowing costs	1.7117~ 5.225%	1.5518~1.8843%

b. The investing activities partially influenced the cash flow are as follows:

	For the years ended December 31,	
	2019	2018
Acquisition of property, plant and equipment	$11,780,663	$9,007,997
Net increase in payables to equipment suppliers	(162,788)	(323,470)
Net decrease (increase) in other payables - related parties	3,720	(3,720)
Total	$11,621,595	$8,680,807

	For the years ended December 31,	
	2019	2018
Disposal of property, plant and equipment	$96,818	$295,816
Net decrease (increase) in other receivables	24,600	(24,600)
Net decrease (increase) in other receivables - related parties	117	(117)
Total	$121,535	$271,099

c. In order to meet the needs of future operation and development, the Company decided to purchase three lots of land and buildings located in Miaoli County for operational use. The total purchase price was NT $ 850 million (including tax). As of December 31, 2019, the Company has paid the first installment of NT$707,976 thousand and recognized the payment in the construction in progress. According to the purchase agreement, ownership transfer registration shall be completed within four months after obtaining the use license.

d. As of December 31, 2019, the Company recognized an impairment loss of NT$ 55,267 thousand for certain machinery and equipment which were either damaged or idle and could no longer be used. No such situation occurred in 2018.

e. Please refer to Note 8 for property, plant and equipment under pledges as collateral.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(10) Intangible Asset

	Software	Goodwill	Total
Cost:			
As of January 1, 2019	$332,598	$35,914	$368,512
Additions from acquisitions	26,418	-	26,418
Disposals	(30,077)	-	(30,077)
Transfers	-	-	-
Exchange differences	(2,217)	-	(2,217)
As of December 31, 2019	$326,722	$35,914	$362,636
As of January 1, 2018	$239,151	$-	$239,151
Additions from acquisitions	23,774	-	23,774
Acquired through business combination	17,897	35,914	53,811
Disposals	(36,424)	-	(36,424)
Transfers	89,021	-	89,021
Exchange differences	(821)	-	(821)
As of December 31, 2018	$332,598	$35,914	$368,512
Amortization and impairment:			
As of January 1, 2019	$197,450	$-	$197,450
Amortization	87,531	-	87,531
Disposals	(30,077)	-	(30,077)
impairment loss	-	35,914	35,914
Exchange differences	(1,977)	-	(1,977)
As of December 31, 2019	$252,927	$35,914	$288,841
As of January 1, 2018	$194,236	$-	$194,236
Amortization	40,203	-	40,203
Disposals	(36,424)	-	(36,424)
Exchange differences	(565)	-	(565)
As of December 31, 2018	$197,450	$-	$197,450
Net carrying amount as of:			
December 31, 2019	$73,795	$-	$73,795
December 31, 2018	$135,148	$35,914	$171,062

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Amortization expenses of intangible assets recognized are as follows:

	For the years ended December 31,	
	2019	2018
Operating costs	$66,404	$20,747
Sales and administration costs	14,543	13,200
Research and development costs	6,584	6,256
Total	$87,531	$40,203

a. Please refer to Note 6(25) for more details of goodwill of NT$35,914 thousand.
b. Please refer to Note 6(12) for goodwill impairment testing.

(11) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rent	$-(NOTE)	$106,246
Refundable deposits	15,724	15,532
Others	452	108
Total	$16,176	$121,886

Note: Long-term prepaid rent was prepaid for land use rights. The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(12) Goodwill impairment testing

The Company acquired Dawning Leading Technology Inc. in November 2018, and recognized goodwill of NT$35,914 thousand. The goodwill shall be tested for impairment annually. After the acquisition of Dawning Leading Technology Inc., an assembly center was established, and goodwill was allocated to this center (a separate cash-generating unit).

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Cash-generating unit of assembly center

As the acquisition date of Dawning Leading Technology Inc. was in November 2018, there is no impairment of goodwill in 2018. However, in 2019, the assembly center suffered an operating loss due mainly to severe competition and the delay in the introduction of new products. The recoverable amount of the assembly center has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 13.60% in 2019. As a result of this analysis, management has recognized an impairment loss of NT$35,914 thousand on goodwill.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for assembly center is most sensitive to the following assumptions:

(a) Revenue growth rate applied to cash flow projections.
(b) Discount rates.

Revenue growth rates –Revenue growth rate is estimated based on market supply and demand and product implementation progress during the budget period.

Discount rates – discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Company’s investors on capital, where the cost of liabilities is measured by the interest-bearing loans that the Company has obligation to settle.

(13) Short-term loan

	Interest Rates (%)	December 31, 2019	December 31, 2018
Unsecured bank loans	3.13~4.57%	$493,383	$111,879

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The Company's unused short-term lines of credits amounted to NT$4,200,151 thousand and NT$3,357,084 thousand as at December 31, 2019 and 2018, respectively.

(14) Long-term borrowings

As of December 31, 2019

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Citi Bank	Unsecured bank loans	$ 215,250	2021.11.30	Revolving Credit
SinoPac Bank	Unsecured bank loans	539,640	2021.05.22	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	1,138,600	2021.10.14	Revolving Credit
Cathay United Bank	Unsecured bank loans	269,820	2021.12.23	Revolving Credit
Bank of china	Unsecured bank loans	749,500	2021.10.14	Revolving Credit
Mizuho Bank	Unsecured bank loans	1,230,000	2021.01.01	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	299,800	2021.05.10	Revolving Credit
E. Sun Bank	Unsecured bank loans	239,840	2021.09.10	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	449,700	2021.01.03	Revolving Credit
Mega Bank	Unsecured bank loans	749,500	2021.09.18	Revolving Credit
Land Bank	Unsecured bank loans	269,820	2021.03.28	Revolving Credit
Mega Bank	Unsecured bank loans	319,500	2021.02.12	Repay at maturity
Land Bank	Unsecured bank loans	126,000	2021.02.12	Repay at maturity
Fubon Bank	Unsecured bank loans	175,500	2021.02.09	Repay at maturity
Bank of Taiwan	Unsecured bank loans	479,497	2021.02.12	Repay at maturity
Land Bank and 13 others	Secured bank loans	3,750,000	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Mega Bank and 17 others	Commercial Paper	5,680,000	2023.12.06	Revolving credit. Renewable every three months. Credit has not been fully utilized.
Mega Bank and 17 others	Secured bank loans	300,000	2023.12.06	25% of principal will be repaid on the day of three and half years after August 13, 2019. The remaining principal will be repaid on maturity day.
Bank of Taiwan and 6 others (King Long)	Secured bank loans	1,262,196	2024.02.01	Repayable in 6 semi-annual instalments from August 01, 2021.
Shanghai Commercial & Savings Bank (King Long)	Unsecured bank loans	299,707	2022.05.23	Repayable in 4 semi-annual instalments from December 5, 2020.
Taishin Bank (King Long)	Unsecured bank loans	299,707	2022.05.29	Repayable in 4 semi-annual instalments from December 5, 2020.
Bank of Taiwan (King Long)	Unsecured bank loans	449,560	2022.07.17	Repayable in 7 quarterly instalments from January 17, 2021.
Shin Kong Commercial Bank (King Long)	Unsecured bank loans	299,707	2022.07.17	Repayable in 3 semi-annual instalments from July 17, 2021.
Yuanta Commercial Bank (King Long)	Unsecured bank loans	29,971	2022.08.12	Repayable in 6 quarterly instalments from May 30, 2021.
O Bank (King Long)	Unsecured bank loans	149,853	2022.10.10	Repayable in 6 semi-annual instalments from April 29, 2020.
E. Sun Bank (King Long)	Unsecured bank loans	59,941	2022.10.11	Repayable in 4 semi-annual instalments from April 30, 2021.
Fubon Bank (King Long)	Unsecured bank loans	29,971	2022.11.27	After paying US$160 thousand on May 28, 2021, repayable in 6 quarterly instalments.
Taiwan Cooperative Bank (King Long)	Unsecured bank loans	59,941	2022.12.16	Repayable in 7 quarterly instalments from June 16, 2021.
O Bank (Zhengkuan)	Unsecured bank loans	29,971	2020.03.27	After paying US$1 million on April 07, 2018, repayable in 4 semi-annual instalments, except for the last payment which is due in 5 months.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
HSBC Bank (Zhengkuan)	Unsecured bank loans	89,912	2021.04.09	Repayable in 5 semi-annual instalments, except for the last payment which is due in 5 months from April 27, 2019.
KGI Bank (Zhengkuan)	Unsecured bank loans	239,766	2021.11.08	Repayable in 5 semi-annual instalments, except for the last payment which is due in 3 months from January 26, 2020
Shanghai Commercial & Savings Bank (Zhengkuan)	Unsecured bank loans	89,912	2022.11.08	Repayable in 5 semi-annual instalments from November 8, 2020.
Subtotal		20,372,082		
Less: current portion		(403,605)		
Less: Arrangement fee		(37,035)		
Less: Unamortized discount		(7,002)		
Total		$19,924,440		
Interest Rates		0.83%~5.23%		

As of December 31, 2018

Lenders	Nature	Balance	Maturity Date	Terms of repayment
Y Standard Chartered Bank	Unsecured bank loans	$ 600,000	2020.06.30	Revolving Credit
Citi Bank	Unsecured bank loans	460,725	2020.11.30	Revolving Credit
SinoPac Bank	Unsecured bank loans	614,300	2020.05.31	Revolving Credit
Taiwan Business Bank	Unsecured bank loans	276,435	2020.02.26	Revolving Credit
HSBC Taiwan Bank	Unsecured bank loans	1,660,020	2020.10.17	Revolving Credit
Taishin Bank	Unsecured bank loans	289,000	2021.02.09	Revolving Credit
Cathay United Bank	Unsecured bank loans	276,435	2020.12.24	Revolving Credit
First Commercial Bank	Unsecured bank loans	337,865	2020.06.28	Revolving Credit
Bank of China	Unsecured bank	300,000	2020.10.14	Revolving Credit

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
	loans			
Mizuho Bank	Unsecured bank loans	1,230,000	2021.01.01	Revolving Credit
Hua Nan Commercial Bank	Unsecured bank loans	92,145	2020.11.16	Revolving Credit
E. Sun Bank	Unsecured bank loans	92,145	2020.09.13	Revolving Credit
Shin Kong Commercial Bank	Unsecured bank loans	61,430	2021.01.03	Revolving Credit
Mega Bank	Unsecured bank loans	491,440	2020.09.18	Revolving Credit
Land Bank	Unsecured bank loans	92,145	2020.02.12	Revolving Credit
O Bank	Unsecured bank loans	300,000	2020.11.21	Repay at maturity
Mega Bank	Unsecured bank loans	639,000	2021.02.12	Repay at maturity
Land Bank	Unsecured bank loans	252,000	2021.02.12	Repay at maturity
Chang Hwa Commercial Bank	Unsecured bank loans	263,250	2021.02.09	Repay at maturity
E. Sun Bank	Unsecured bank loans	259,000	2021.02.09	Repay at maturity
Fubon Bank	Unsecured bank loans	351,000	2021.02.09	Repay at maturity
Bank of Taiwan	Unsecured bank loans	958,994	2021.02.12	Repay at maturity
Fubon Bank and 9 others	Secured bank loans	530,000	2020.09.10	The Company reached a three-year loan extension agreement as of December 31, 2014. The loan is repayable in 6 semi-annual instalments from March 10, 2018.
Land Bank and 13 others	Secured bank loans	3,750,000	2021.03.10	25% of principal will be repaid on the day of three and half years after March 10, 2016. The remaining principal will be repaid on maturity day.
Mega Bank and 17 others	Commercial	2,500,000	2023.12.06	Revolving credit. Renewable

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Lenders	Nature	Balance	Maturity Date	Terms of repayment
	Paper			every three months. Credit has not been fully utilized.
Taishin Bank (Zhengkuan)	Unsecured bank loans	61,428	2019.08.09	Repayable in 5 semi-annual instalments from September 19, 2017, except for the last payment which is due in 5 months.
O Bank (Zhengkuan)	Unsecured bank loans	92,142	2020.03.27	After paying US$1million on April 7, 2018, repayable in 4 semi-annual instalments, except for the last payment which is due in 5 months.
HSBC Bank (Zhengkuan)	Unsecured bank loans	153,570	2021.04.09	Repayable in 5 semi-annual instalments from April 27, 2019, except for the last payment which is due in 5 months.
Subtotal		16,984,469		
Less: current portion		(184,284)		
Less: Arrangement fee		(43,675)		
Less: Unamortized discount		(5,650)		
Total		$16,750,860		
Interest Rates		0.81%~3.79%		

a. Certain property, plant and equipment were pledged. Please refer to Note 8 for more details.

b. Please refer to Note 9 for the financial covenants during the loan period.

(15) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. The Company has made monthly contribution of 6% of each individual employee’s salaries or wages to employee’s pension accounts.

Subsidiaries located in the People’s Republic of China will contribute social welfare benefits based on a certain percentage of employee’s salaries or wages to the employee’s individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 were NT$288,659 thousand and NT$239,631 thousand, respectively.

Defined benefit plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT$17,986 thousand to its defined benefit plan during the 12 months beginning after December 31, 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The maturities of the defined benefits plan as at December 31, 2019 and 2018 are both in 2025.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018

	For the years ended December 31,	
	2019	2018
Current period service costs	$5,991	$6,176
Interest income or expense	4,527	4,958
Overestimate	21	(43)
Total	$10,539	$11,091

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	December 31,	
	2019	2018
Defined benefit obligation at January 1,	$802,898	$752,629
Plan assets at fair value	(274,729)	(271,059)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$528,169	$481,570

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at January 1, 2018	$704,482	$(257,858)	$446,624
Current period service costs	6,176	-	6,176
Net interest expense (income)	7,820	(2,862)	4,958
Subtotal	718,478	(260,720)	457,758
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	31,817	-	31,817
Actuarial gains and losses arising from changes in financial assumptions	7,076	-	7,076
Experience adjustments	10,482	-	10,482
Return on plan assets	-	(7,587)	(7,587)
Subtotal	49,375	(7,587)	41,788
Payments from the plan	(15,224)	15,224	-
Contributions by employer	-	(17,976)	(17,976)
As at December 31, 2018	$752,629	$(271,059)	$481,570

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Current period service costs	5,991	-	5,991
Net interest expense (income)	7,074	(2,547)	4,527
Subtotal	765,694	(273,606)	492,088
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	55,146	-	55,146
Actuarial gains and losses arising from changes in financial assumptions	(38,952)	-	(38,952)
Experience adjustments	51,181	-	51,181
Return on plan assets	-	(9,850)	(9,850)
Subtotal	67,375	(9,850)	57,525
Payments from the plan	(30,171)	30,171	-
Contributions by employer	-	(21,444)	(21,444)
As at December 31, 2019	$802,898	$(274,729)	$528,169

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	December 31, 2019	December 31, 2018
Discount rate	0.80%	0.94%
Expected rate of salary increases	1.50%	1.50%

A sensitivity analysis for significant assumption as at December 31, 2019 and 2018 is shown as below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$(45,058)	$-	$(20,657)
Discount rate decrease by 0.5%	76,608	-	42,681	-
Future salary increase by 0.5%	75,659	-	41,901	-
Future salary decrease by 0.5%	-	(45,031)	-	(20,645)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(16) Equity

A. Share capital

As of December 31, 2019 and 2018, KYEC's authorized share capital was both NT$15,000,000 thousand; issued share capital was both NT$12,227,451 thousand (1,222,745 thousand shares), with par value of NT$10 per share. Each share has one voting right and a right to receive dividends.

The Company issued overseas unsecured convertible bonds (the KYEC Bonds) on July 29, 2016. For the year 2018, the KYEC Bonds conversation amount was US$2,050 thousand, which was converted into 2,507 thousand shares of the Company's common shares, and the Company issued 1,039 thousand shares and 1,468 thousand shares for capital increase on March 16, 2018 and May 4, 2018, respectively. As of December 31, 2019 and 2018, the capital surplus-convertible bonds option amount was both NT$ 0. The KYEC Bonds have been fully converted as of March 31, 2018.

B. Capital surplus

	December 31, 2019	December 31, 2018
Additional paid-in capital	$823,017	$823,017
Arising from conversion of bonds	3,588,848	3,588,848
Treasury share transactions	390,101	390,101
Arising from the exercise of employee restricted shares	30,755	30,756
Long-term equity investment	-	11,814
Total	$4,832,721	$4,844,536

According to the Company Act, the capital surplus shall not be used except for offset the deficit of the Company. When a Company incurs no loss, it may distribute the capital surplus generated from the excess of the issuance price over the par value of share capital and donations. The distribution could be made in cash to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

According to KYEC's Articles of Incorporation, net profits for each fiscal year, if any, shall be distributed in following order:

a. Reserve for tax payments;
b. Offset prior year's losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholder's meeting.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning, etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. As the Company currently is still in the growth stage, funding may be required in the near future for expansion. Therefore, the current policy is to distribute cash dividends at no less than 20% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded in shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2019 and 2018, special reserve set aside for the first-time adoption of TIFRS amounted to NT$201,416 thousand.

The appropriations for earnings for 2018 were resolved by the shareholders in its meeting on June 6, 2019; while the proposed appropriations of earnings for 2019 were approved by Board of Directors on March 13, 2020. The appropriations and dividends per share were as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2019	2018	2019	2018
Legal reserve	$297,658	$179,534		
Special reserve	(400,766)	371,933		
Cash dividends-common stock	1,956,392	1,650,706	$1.60	$1.35
Total	$1,853,284	$2,202,173		

Based on the distribution proposal submitted by Board of Directors on March 13, 2020, KYEC will reduce the capital surplus from share premium by NT$244,549 thousand to distribute cash dividends.

Please refer to Note 6(20) for information regarding the employees' compensations (bonuses) and remunerations to directors.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

D. Non-controlling interests

	For the years ended December 31,	
	2019	2018
Beginning balance	$42,741	$5,658
Net loss attributable to non-controlling interests	(82)	(1,454)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(52)	300
Increase (decrease) attributable to non-controlling interests	(36,092)	38,237
Ending balance	$6,515	$42,741

(17) Operating revenue

	For the years ended December 31,	
	2019	2018
Assembly and testing processing revenue	$23,778,126	$19,701,773
Revenue from rental of machinery	1,148,449	602,285
Rental income from property	24,288	114,710
Other operating revenues	588,574	396,601
Total revenue	$25,539,437	$20,815,369

Relevant information of revenue from contracts with customers for the years ended December 31, 2019 and 2018 are as follows:

A. Disaggregation of revenue

		For the years ended December 31,	
Nature of revenue	Timing of revenue recognition	2019	2018
Rendering of services	Over time	$23,778,126	$19,701,773
Revenue from rental of machinery	Over time	1,148,449	602,285
Rental income from property	On a straight-line basis or on a systematic basis (Note)	24,288	114,710
Other operating revenues	At a point in time	588,574	396,601
Total		$25,539,437	$20,815,369

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Note: Please refer to Note 6(19) for information regarding leases.

B. Contract balances

(a).Contract assets – current

Nature of revenue	December 31, 2019	December 31, 2018	January 1, 2018
Rendering of services	$126,182	$289,427	$256,510

The significant changes in the Company's balances of contract assets during the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
The opening balance transferred to trade receivables	$288,359	$256,510
Degree of completion measurement	$125,114	$289,427

(b).Contract liabilities - current

Nature of revenue	December 31, 2019	December 31, 2018	January 1, 2018
Revenue from rental of machinery	$52,486	$84,834	$46,161
Assembly and testing processing revenue	14,428	44,240	45,380
Other operating revenues	1,416	1,129	467
Total	$68,330	$130,203	$92,008

The difference of the beginning and ending balances is the net effect of the various revenue contracts signed before the opening date and the assumption of the new performance obligations for new contracts signed as of the ending date.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(18) Expected credit losses

Operating expenses - expected credit losses/ (gains)

	For the years ended December 31	
	2019	2018
contract assets	$-	$-
Notes receivable	-	-
Trade receivables	20,609	2,971
Total	$20,609	$2,971

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and receivables (including notes receivable and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at December 31, 2019 and 2018 are as follows:

A. The gross carrying amount of contract assets is NT$126,182 thousand and NT$289,427 thousand, respectively, that is measured at expected credit loss ratio of 0%.

B. The Company considers the grouping of trade receivables by counterparties' credit ratings, geographical regions and industry sectors. Loss allowance is measured by using a provision matrix. Details are as follows:

As at December 31, 2019

	Not yet due	Overdue				
Group 1	(Note)	1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$5,574,530	$266,482	$14,275	$18,228	$2,385	$5,875,900
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(23,697)	-	(143)	(365)	(119)	(24,324)
Subtotal	5,550,833	266,482	14,132	17,863	2,266	5,851,576

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Group 2	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$233	$-	$186	$8,803	$13,537	$22,759
Loss ratio	100%	-%	-%	-%	100%	
Lifetime expected credit losses	(233)	-	(186)	(8,803)	(13,537)	(22,759)
Subtotal	-	-	-	-	-	-
Total						$5,851,576

As at December 31, 2018

Group 1	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$4,720,506	$399,003	$22,950	$67,445	$3,815	$5,213,719
Loss ratio	-%	-%	1%	2%	5%	
Lifetime expected credit losses	(9,685)	-	(230)	(1,349)	(191)	(11,455)
Subtotal	4,710,821	399,003	22,720	66,096	3,624	5,202,264

Group 2	Not yet due (Note)	Overdue 1-90 days	91-180 days	181-365 days	>366 days	Total
Gross carrying amount	$500	$-	$-	$-	$15,839	$16,339
Loss ratio	100%	-%	-%	-%	100%	
Lifetime expected credit losses	(500)	-	-	-	(15,839)	(16, 339)
Subtotal	-	-	-	-	-	-
Total						$5,202,264

Note: The Company’s notes receivable are not overdue.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The movement in the provision for impairment of contract assets, notes receivable, and trade receivables for the years ended December 31, 2019 and 2018 is as follows:

	Contract assets	Notes receivable	Trade receivables
Beginning balance at January 1, 2019	$	$-	$27,794
Addition for the current period	-	-	20,609
Write off (Note)	-	-	(1,299)
Effect of changes in exchange rate	-	-	(21)
Ending balance	$-	$-	$47,083
Beginning balance at January 1, 2018 (in accordance with IAS 39)	$-	$-	$28,207
Beginning balance at January 1, 2018 (in accordance with IFRS 9)	-	-	28,207
Addition for the current period	-	-	2,971
Write off (Note)	-	-	(3,300)
Effect of changes in exchange rate	-	-	(84)
Ending balance	$-	$-	$27,794

Note: Although the Company wrote off the financial assets during 2019 and 2018, collection activities are still underway.

(19) Leases

(1) The Company as a lessee (applicable to disclosure requirement under IFRS 16)

The Company leases land and buildings with lease terms ranging from 6 to 58 years. At the end of the lease terms, the Company does not have the purchase option to acquire the leasehold land and buildings.

The Company leases machinery and equipment for operational use with terms of 1 year. The Company has purchase options to acquire leasehold machinery and equipment at the end of the lease terms.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2019	December 31, 2018 (Note)
Land	$553,922	
Buildings	45,314	
Machinery and equipment	774,671	
Total	$1,373,907	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended December 31, 2019, the Company's additions to right-of-use assets amounted to NT$774,671.

(b) Lease liabilities

	December 31, 2019	December 31, 2018 (Note)
Lease liabilities- current	$792,980	
Lease liabilities- non-current	485,263	
Total	$1,278,243	

Please refer to Note 6 (21)C for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31,	
	2019	2018 (Note)
Land	$19,354	
Buildings	5,266	
Machinery and equipment	-	
Total	$24,620	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the years ended December 31,	
	2019	2018(Note)
The expenses relating to short-term leases	$54,176	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	3,300	
Total	$57,476	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflows relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounted to NT$85,499 thousand.

E. Other information relating to leasing activities

Extension and termination options

Some of the Company's property rental agreements contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Operating lease commitments-the Company as lessee (applicable to the disclosure requirement in IAS 17)

The Company leases several parcels of land from the ROC government which expire in December 2033. The lease agreements granted the Company the option to renew the leases and reserve the right for the lessor to adjust the lease payments upon an increase in the assessed value of the land and to terminate the lease under certain conditions. Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$21,821
Later than one year and not later than five years		87,286
Later than five years		191,663
Total		$300,770

Operating lease expenses recognized are as follows:

	For the years ended December 31	
	2019 (Note)	2018
Minimum lease payments		$21,821

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(3) The Company as a lessor (applicable to the disclosure requirement under IFRS 16)

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	For the years ended December 31,	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$24,288	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 6 (9) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16. For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2019 are as follow:

	December 31, 2019	December 31, 2018 (Note)
Not later than one year	$7,915	
Later than one year and not later than five years	187	
Total	$8,102	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(4) Operating lease commitments - the Company as lessor (applicable to the disclosure requirement in IAS 17)

The Company entered into commercial property leases with remaining terms between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2019 (Note)	December 31, 2018
Not later than one year		$3,342
Later than one year and not later than five years		1,749
Total		$5,091

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(20) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2019 and 2018:

	For the years ended December 31,					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$4,352,574	$1,159,150	$5,511,724	$3,659,158	$999,239	$4,658,397
Labor and health insurance	380,837	75,846	456,683	325,957	69,185	395,142
Pension	232,212	66,986	299,198	193,227	57,495	250,722
Remuneration of directors	-	33,391	33,391	-	20,611	20,611
Other employee benefits expense	236,951	41,006	277,957	194,070	34,415	228,485
Total	$5,202,574	$1,376,379	$6,578,953	$4,372,412	$1,180,945	$5,553,357
Depreciation	$6,389,127	$582,792	$6,971,919	$6,125,494	$560,697	$6,686,191
Amortization	$66,404	$21,127	$87,531	$20,747	$19,456	$40,203

In accordance with the Articles of Incorporation, 8% to 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, KYEC's accumulated losses shall have been covered (if any). KYEC may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current period, KYEC estimated the amounts of the employees' compensation and remuneration to directors for the year ended December 31, 2019 to be 8% of profit of current period (or NT$333,915 thousand) and 0.8% of profit of current period (or NT$33,391 thousand), respectively, which were recognized as salary expense. If the Board of Directors resolved to distribute employees' compensation in the form of stocks, then the number of stocks distributed is calculated based on the closing price one day prior to the date of resolution. If the estimated amounts differ from the actual distribution resolved by the Board of Directors, the difference will be recognized in the profit or loss in the subsequent year. A resolution was passed at a Board of Directors meeting held on March 13, 2020 to distribute NT$333,915 thousand and NT$33,391 thousand in cash as employees' compensation and remuneration to directors, respectively, which were consistent with the estimated amounts recognized for the year ended December 31, 2019.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Actual distribution of employees' compensation and remuneration to directors of 2018 amounted to NT$206,105 thousand and NT$20,611 thousand, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2018.

(21) Non-operating income and expenses

A. Other income

	For the years ended December 31,	
	2019	2018
Interest income	$12,617	$22,217
Dividend income	38,398	880
Government grant	57,469	27,918
Others	79,649	40,265
Total	$188,133	$91,280

B. Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	$8,338	$165,812
Gains on disposal of investments	-	74,427
Foreign exchange gains, net	59,506	87,777
Gains on financial assets at fair value through profit or loss (Note)	424	418
Impairment losses – Property, plant and equipment	(55,267)	-
Impairment losses – Goodwill	(35,914)	-
Others	1,966	(3,473)
Total	$(20,947)	$324,961

Note: Balance in current year was arising from financial assets mandatorily measured at fair value through profit or loss.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

C. Finance costs

	For the years ended December 31, 2019	2018
Interest expenses on borrowings from bank	$301,836	$205,318
Amortization on bonds payable	-	(331)
Interest on lease liabilities	9,837	(Note)
Total	$311,673	$204,987

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(22) Components of other comprehensive income

For the year ended December 31, 2019

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(57,525)	$-	$(57,525)	$-	$(57,525)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	687,601	(395)	687,206	(136,555)	550,651
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(186,914)	-	(186,914)	37,373	(149,541)
Total of other comprehensive income	$443,162	$(395)	$(442,767)	$(99,182)	$343,585

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax expenses	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(41,788)	$-	$(41,788)	$-	$(41,788)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(194,614)	30,203	(164,411)	17,118	(147,293)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(81,443)	-	(81,443)	24,851	(56,592)
Total of other comprehensive income	$(317,845)	$30,203	$(287,642)	$41,969	$(245,673)

(23) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

	For the years ended December 31,	
	2019	2018
Current income tax expense:		
Current income tax charge	$757,124	$616,594
Adjustments in respect of current income tax of prior periods	-	8,589
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	116,255	29,411
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(58,926)
Income tax expense recognized in profit or loss	$873,379	$595,668

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Income tax relating to components of other comprehensive income

	For the years ended December 31,	
	2019	2018
Deferred tax expense (income):		
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	$136,555	$(17,118)
Exchange differences resulting from translating the financial statements of a foreign operation	(37,373)	(24,851)
Income tax relating to components of other comprehensive income	$99,182	$(41,969)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended Dec. 31,	
	2019	2018
Accounting profit before tax from continuing operations	$3,914,863	$2,389,558
Tax at the domestic rates applicable to profits in the country concerned	$782,973	$477,912
Corporate income surtax on undistributed retained earnings	-	16,574
Tax effect of expenses not deductible for tax purposes	(105,732)	91,934
Tax effect of deferred tax assets/liabilities	116,255	29,411
Different tax rates application between the parent company and subsidiaries	79,883	30,174
Adjustments in respect of current income tax of prior periods	-	8,589
Deferred tax income relating to changes in tax rate or imposition of new taxes	-	(58,926)
Total income tax expense recognized in profit or loss	$873,379	$595,668

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$495	$(6,119)	$-	$-	$-	$(5,624)
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Other impairment loss	-	11,054	-	-	-	11,054
Depreciation difference for tax purpose	16,426	7,793	-	-	-	24,219
Unrealized sales discount	6,666	1,150	-	-	-	7,816
Investments accounted for using the equity method	158,590	(129,439)	-	-	-	29,151
Exchange differences resulting from translating the financial statements of foreign operations	73,031	-	37,373	-	-	110,404
Unrealized investment gains and losses	104,007	(1,749)	(136,555)	-	-	(34,297)
Others	10,485	1,055	-	-	-	11,540
Unused tax losses	23,048	-	-	-	-	23,048
Deferred tax income/ (expense)		$(116,255)	$(99,182)	$-	$-	
Net deferred tax assets/(liabilities)	$405,398					$189,961
Reflected in balance sheet as follows:						
Deferred tax assets	$405,398					$229,882
Deferred tax liabilities	$-					$39,921

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Charged directly to equity	Exchange differences	Ending balance
Temporary differences						
Unrealized exchange gains and losses	$(7,812)	$8,307	$-	$-	$-	$495
Impairment loss of goodwill	12,650	-	-	-	-	12,650
Depreciation difference for tax purpose	13,141	3,285	-	-	-	16,426
Unrealized sales discount	3,916	2,750	-	-	-	6,666
Investments accounted for using the equity method	156,482	2,108	-	-	-	158,590
Exchange differences resulting from translating the financial statements of foreign operations	48,180	-	24,851	-	-	73,031
Unrealized investment gains and losses	71,976	14,913	17,118	-	-	104,007
Others	9,017	1,468	-	-	-	10,485
Unused tax losses	26,364	(3,316)	-	-	-	23,048
Deferred tax income/ (expense)		$29,515	$41,969	$-	$-	
Net deferred tax assets/(liabilities)	$333,914					$405,398
Reflected in balance sheet as follows:						
Deferred tax assets	$333,914					$405,398
Deferred tax liabilities	$-					$-

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The following table contains information of the unused tax losses of the Company:

			Unused tax losses as at		
Entities	Year	Tax losses for the period	December 31, 2019	December 31, 2018	Expiration year
KYEC	2009	$372,867	$115,242	$115,242	2019
Foreign Subsidiaries	2014	122,294	-	122,294	2019
	2015	133,282	133,282	138,837	2020
	2016	40,119	40,119	41,791	2021
	2017	31,941	31,941	33,273	2022
	2018	74,692	74,692	-	2023
			$395,276	$451,437	

Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amounted to NT$76,354 thousand and NT$84,049 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investments in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT$1,585 thousand and NT$1,500 thousand, respectively.

The assessment of income tax returns

As of December 31, 2019, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

Entities	The assessment of income tax returns
KYEC	Assessed and approved up to 2017
Subsidiary:	
King Long Technology (Suzhou) Ltd.	Filed up to 2018
Suzhou Zhengkuan Technology Ltd.	Filed up to 2018
KYEC USA Corp.	Filed up to 2018
KYEC Japan K.K.	Filed up to 2018
KYEC SINGAPORE PTE. Ltd.	Filed up to 2018
King Ding Precision Incorporated Company	Filed up to 2018 but not yet approved

Based on the amendments to the Income Tax Act announced, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%. The deferred tax assets will increase NT$58,926 thousand when income tax rate changed.

(24) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended December 31,	
	2019	2018
A. Basic earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,041,566	$1,795,344
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand share)	1,222,745	1,222,296
Basic earnings per share (NT$)	$2.49	$1.47
B. Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent	$3,041,566	$1,795,344
Interest expense from convertible bonds	-	(266)
Profit attributable to ordinary equity owners of the parent after dilution	$3,041,566	$1,795,078
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	1,222,745	1,222,296
Effect of dilution:		
Employee compensation－stock (in thousands)	10,499	10,576
Convertible bonds (in thousands)	-	-

	For the years ended December 31,	
	2019	2018
Weighted average number of ordinary shares outstanding after dilution (in thousands)	1,233,244	1,232,872
Diluted earnings per share (NT$)	$2.47	$1.46

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were issued.

(25) Business combinations

The merger with Dawning Leading Technology Inc. ("Dawning")

On November 1, 2018, for the purposes of integrating resources, enhancing performance, raising competitiveness in response to industrial development, the Company acquired, in stages, the 100% ownership interest of Dawning. Dawning was originally accounted for as investment using the equity method.

The fair values of the identifiable assets and liabilities of Dawning as of the acquisition date were:

	Fair values recognized on the acquisition date
Assets	
Cash and cash equivalents	$247,538
Accounts receivable (including trad receivables from related parties)	657,356
Inventory	426,604
Property, plant and equipment	3,047,040
Long-term investments	53,694
Intangible assets	17,897
Others	155,764
Subtotal	4,605,893
Liabilities	
Bank loans	(2,834,445)
Accounts payable	(540,135)
Others	(580,069)
Subtotal	(3,954,649)
Fair value of identifiable net assets	$651,244

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Goodwill of Dawning is as follows:	Amount
Acquisition consideration:	
Fair value of equity interest in Dawning originally held by the Company	$230,176
Paid in cash to acquire remaining interests	456,982
Less: identifiable net assets at fair value	(651,244)
Goodwill	$35,914

Cash flows on acquisition:	Amount
Transaction costs attributable to cash paid	$(456,982)
Net cash acquired from the subsidiary	247,538
Net cash flow out on acquisition	$(209,444)

As some shareholders of Dawning has claimed objections against the merger transaction relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price. Please also refer to Note 9 for the discussion of the court ruling. The abovementioned cash transaction cost of NT$456,982 thousand included the calculated redemption price of NT$52,585 thousand.

The identifiable assets recognized in the financial statements as of December 31, 2018 were based on a provisional assessment for fair value as of March 14, 2019. There could be adjustments on the assessment upon finalizing the valuation report.

The valuation report on the fair value of net assets was completed on March 18, 2019. The difference between the final valuation report and the provisional assessment is not significant.

The goodwill of NT$35,914 thousand comprises the value of expected synergies arising from the acquisition and a customer list. The customer list is not considered separable and therefore does not meet the criteria for recognition as an intangible asset under IAS 38 “Intangible Assets”.

From the acquisition date to December 31, 2018, Dawning has contributed NT$460,491 thousand of revenue and NT$(32,663) thousand of the net loss before tax to the Company. If the combination had taken place at the beginning of the year, revenue and net income of the Company for the year ended December 31, 2018 would have been NT$22,844,011 thousand and NT$1,189,600 thousand, respectively.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

The merger with King Ding Precision Incorporated Company (“King Ding)

The Company acquired 48.94% shares and more than half seats of the Board of Directors of King Ding in a cash consideration of NT$35,530 thousand in November 2018. The Company, therefore, obtained the control over King Ding.

The primary business of King Ding is manufacturing, selling and wholesale of electronics parts and components and repairing of electronic related products. The company’s location is No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.).

The fair values of the identifiable assets and liabilities of King Ding as of the acquisition date were:

	Fair values recognized on the acquisition date
Assets	
Cash and cash equivalents	$77,965
Trade receivables	7,441
Inventory	27,600
Others	1,952
Subtotal	$114,958
Liabilities	
Accounts payable	(40,110)
Others	(1,081)
Subtotal	(41,191)
Fair value of identifiable net assets	$73,767

Goodwill of King Ding is as follows:	Amount
Cash consideration	$35,530
Non-controlling interest	38,237
Less: identifiable net assets at fair value	(73,767)
Goodwill	$-

Cash flows on acquisition:	Amount
Transaction costs attributable to cash paid	$(35,530)
Net cash acquired from the subsidiary	77,965
Net cash flow in on acquisition	$42,435

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

From the acquisition date to December 31, 2018, King Ding has contributed NT$0 thousand of revenue and NT$(3,062) thousand of the net loss before tax to the Company. If the combination had taken place at the beginning of the year, revenue and net income of the Company for the year ended December 31, 2018 would have been NT$20,832,323 thousand and NT$2,392,613 thousand, respectively.

(26) Changes in the ownership interest of subsidiaries

Based on the long-term development and operation, the Company acquired 51.06% shares in King Ding in a cash consideration of NT$37,070 thousand in January 2019, which increased the ownership to 100%. This transaction has no impact on the control of the subsidiary. Changes in equity are treated as equity transactions.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

A. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
MediaTek Inc.	The chairman of the Company and the chairman of MediaTek Inc. are close relatives
Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.
Airoha Technology Corp.	Subsidiary of MediaTek Inc.
Other related parties (Note 1)	Subsidiary of MediaTek Inc.
Dawning (Note 2)	Associates
Fixwell Technology Corp.	Associates
Wei Jiu Industrial Co., Ltd.	Associates

Note 1：The Company's transactions with these companies are not material.
Note 2：The related party transactions disclosed herein include only those transactions occurred before the date of merger (November 1, 2018).

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Significant transactions with related parties

(a). Sales

	For the years ended December 31,	
	2019	2018
MediaTek Inc.	$1,967,302	$1,745,267
Mediatek Singapore Pte. Ltd.	940,418	1,096,420
Other related parties	342,566	346,913
Associates	15,929	67,209
Total	$3,266,215	$3,255,809

The sales price to related parties was determined through mutual agreement based on the market demands. The trade credit terms for related parties were 45 to 90 days, while the terms for non-related parties were 30 to 120 days. The outstanding balance due from related parties as of December 31, 2019 and 2018 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b). The Company purchased inventories from associates. For the years ended December 31, 2019 and 2018, the purchase amounts were NT$51,369 thousand and NT$52,506 thousand, respectively. The purchase price was based on the market demands. The payment terms with related parties were 30 days, while the terms with non-related parties were 30 to 120 days.

(c). The Company appointed an associate to perform machinery repairs. For the years ended December 31, 2019 and 2018, the operating costs recognized amounted to NT$312,790 thousand and NT$207,911 thousand, respectively.

(d). The Company paid rental expenses for renting machines from associates. For the years ended December 2019 and 2018, the rental expenses amounted to NT$0 thousand and NT$7,114 thousand, respectively. The rental price was based on the similar machine's rental price in the market. The payment terms with related parties were 30 to 90 days, while terms with non-related parties were 0 to 30 days.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(e). Significant property transactions with related parties:

i. Disposal of property, plant and equipment

	For the year ended December 31,2019		For the year ended December 31,2018	
Related party	Sales price	Disposal gain	Sales price	Disposal gain
Associates	$9,423	$5,028	$4,824	$3,581

The Company deferred the disposal gain derived from sales of property, plant and equipment to related parties, and then recognized such gain over depreciable lives of the disposed assets.

ii. Acquisition of property, plant and equipment

	For the year ended December 31,2019	For the year ended December 31,2018
Related party	Purchase price	Purchase price
Associates	$106,826	$530,915

The purchase price was determined through mutual agreement based on the market demand.

(f). Contract assets

Contract assets - current

	December 31,2019	December 31,2018
Other related parties		
MediaTek Inc.	$1,293	$3,189
Mediatek Singapore Pte. Ltd.	500	4,050
Others	-	125
Total	1,793	7,364
Less: loss allowance	-	-
Net	$1,793	$7,364

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(g). Trade receivables from related parties

	December 31,2019	December 31,2018
MediaTek Inc.	$478,587	$424,764
Mediatek Singapore Pte. Ltd.	320,837	274,233
Other related parties	111,400	70,308
Associates	203	426
Less: loss allowance	-	-
Net	$911,027	$769,731

(h). Other receivables from related parties

	December 31,2019	December 31,2018
MediaTek Inc.	$6,235	$4,681
Mediatek Singapore Pte. Ltd.	1,551	4,569
Other related parties	170	115
Associates	-	1,972
Net	$7,956	$11,337

(i). Contract liabilities

	December 31,2019	December 31,2018
MediaTek Inc.	$192	$-
Others related parties	-	529
Total	$192	$529

(j). Account payables to related parties

	December 31,2019	December 31,2018
Wei Jiu Industrial Co., Ltd.	$30,713	$12,391

(k). Other payables to related parties

	December 31,2019	December 31,2018
Fixwell Technology Corp.	$62,269	$46,918
Wei Jiu Industrial Co., Ltd.	27,712	33,073
Other related parties	1,067	840
Total	$91,048	$80,831

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

(l). Other income

	For the years ended December 31,	
	2019	2018
Associate	$-	$2,750

(m). Key management personnel compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$145,025	$114,945
Post-employment benefits	1,652	1,864
Total	$146,677	$116,809

8. Assets Pledged as Security

The following table lists assets of the Company pledged as security:

	Carrying amount		
Items	December 31, 2019	December 31, 2018	Purpose of pledge
Other current financial assets	$4	$4	L/C guarantee deposits
Other non-current financial assets	113,125	109,912	Customs clearance
Land	914,594	1,143,394	Long-term borrowings
Building and facility	3,026,451	2,040,259	Long-term borrowings
Machinery equipment	1,877,506	2,095,813	Long-term borrowings
Total	$5,931,680	$5,389,382	

9. Significant Contingent Liabilities and Unrecognized Commitments

As of December 31, 2019, the following contingencies and material commitments were not included in the Company’s consolidated financial statements:

A. The Company's issued and outstanding letters of credit is approximately NT$200,212 thousand.

B. To construct the plant and factory premises, the Company had entered into several construction contracts in an aggregate amount of NT$1,590,614 thousand with NT$1,196,067 thousand already paid and NT$394,547 thousand remaining unpaid (promissory notes have been issued).

C. The promissory notes issued for secured bank loans amounted to NT$37,110,390 thousand.

D. The Company also provided guarantees to Suzhou Zhengkuan Technology Ltd.'s lines of credit. The lines of credit were provided by KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan Bank, The Shanghai Commercial & Savings Bank, SinoPac Bank Commercial Bank, E.SUN Commercial Bank in Dongguan branch, Bank of Taiwan in Shanghai branch and SinoPac Bank Commercial Bank in Shanghai branch in the amount of US$8,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, US$5,000 thousand, CNY$30,000 thousand, CNY$30,000 thousand and CNY25,000 thousand, respectively.

E. The Company entered into a syndicated loan agreement with 13 banks, led by Land Bank of Taiwan, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2016 to 2021:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2016 to 2021, Land Bank of Taiwan may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The Company entered into a syndicated loan agreement with 17 banks, led by Mega International Commercial Bank, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2018 to 2023:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 130%;
(c) Interest coverage ratio not less than 300%.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2018 to 2023, Mega International Commercial Bank may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

The subsidiary of King Long Technology (Suzhou) Ltd. entered into a syndicated loan agreement with 6 banks, led by Bank of Taiwan in Shanghai branch, and the Company shall maintain the following financial covenants on semi-annual and annual basis during the period from 2019 to 2024:
(a) Current ratio not less than 100%;
(b) Debt ratio not more than 120%;
(c) Interest coverage ratnot less than 100%;
(d) equity not less than CNY 800 million.

In the case of failure to adhere to the aforementioned financial covenants during the period from 2019 to 2024, Bank of Taiwan in Shanghai branch may assemble a meeting among the banks to govern the matter to decide on a course of action or request for each bank's written approval for such course of action, when necessary.

As of December 31, 2019, the Company did not violate any financial covenants.

F. As some shareholders of Dawning has claimed objections against the merger transaction with Dawning relating to the acquisition price of NT$3.0 per share, the Company has calculated and lodged the redemption price of NT$52,585 thousand with the Taipei District Court for court ruling on the redemption price on November 20, 2018. The case is still being tried by the Hsinchu District Court.

10. Losses due to Major Disasters

None.

11. Significant Subsequent Events

None.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

12. Others

(1) Financial instruments

A. Categories of financial instruments

Financial assets	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$-	$101,461
Financial assets at fair value through other comprehensive income	2,455,280	1,768,469
Financial assets measured at amortized cost (Note 1)	12,431,811	10,358,486
Total	$14,887,091	$12,228,416

Financial liabilities		
Financial liabilities at amortized cost:		
Short-term borrowings	$493,383	$111,879
Payables (including related parties)	1,087,309	1,246,312
Other payables (including related parties)	4,028,162	3,157,728
Long-term loans (including current portion)	20,328,045	16,935,144
Lease liabilities	1,278,243	(Note 2)
Guarantee deposits	1,933	1,573
Total	$27,217,075	$21,452,636

Note:

1. Includes cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties), other financial assets and refundable deposits.
2. The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives

The objective of the Company's financial risk management is mainly to manage the market risk, credit risk and liquidity risk derived from its operating activities. The Company identified, measured and managed the aforementioned risks based on the Company's policy and risk tendency.

The Company has established appropriate policies, procedures and internal controls for financial risk management. The plans for material treasury activities are reviewed by Board of Directors and Audit committee in accordance with relevant regulations and internal controls. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise foreign currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some receivables and payables are denominated in the same foreign currency, and it will result in economic hedging effect. Further, net investments in foreign operations are primary for strategic purposes, and they are not hedged by the Company.

The Company's sensitivity analysis to foreign currency risk mainly focuses on foreign currency monetary items at the end of the reporting period. The Company's foreign currency risk is mainly from the volatility in the exchange rates of US$ and CNY. The sensitivity analysis is as follows:

When NT$ appreciates or depreciates against US$ by 1%, the profit for the years ended December 31, 2019 and 2018 would have increased / decreased by NT$28,332 thousand and NT$ 3,109 thousand, respectively.

When NT$ appreciates or depreciates against CNY by 1%, the profit for the years ended December 31, 2019 and 2018 would have decreased/increased by NT$4,325 thousand and NT$6,372 thousand, respectively.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company manages its risk by having a balanced portfolio of financial instruments with fixed and floating interest rate. The Company did not apply hedging accounting since such hedging activities did not qualify for criteria of hedge accounting.

The Company's sensitivity analysis to interest rate risk mainly focuses on items exposed to interest rate risk at the end of the reporting period, including investments with floating interest rates and bank borrowings with floating rates. Assuming investments and bank borrowings had been outstanding for the entire period and all other variables were constant, a hypothetical increase/decrease of 10 basis points of interest rate in a reporting period would have resulted in a decrease/increase in profit by NT$20,865 thousand and NT$17,096 thousand for the years ended December 31, 2019 and 2018, respectively.

C. Equity price risk

The Company's equity investments, including listed and unlisted equity securities, are exposed to market price risk arising from uncertainties of future values of equity securities. The Company's investments in listed and unlisted equity securities are classified under financial assets at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity investments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves certain significant equity investments according to level of authority.

At the reporting date ended December 31, 2019 and 2018, a change of 20% in the price of the listed equity securities classified under equity instrument investments measured at fair value through other comprehensive income would have impact of NT$11,025 thousand and NT$8,518 thousand on the equity attributable to the Company.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for trade receivables and notes receivable) and from its financing activities (including bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2019 and 2018, receivables from top ten customers represented 47% and 35% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables was insignificant.

The Company manages its exposure to credit risk arising from bank deposits, fixed income securities and other financial instruments in accordance with established group policies. Since the counter-parties are selected reputable financial institutions and companies, the Company believes its exposure to credit risk is not significant.

(5) Liquidity risk management

The Company maintained financial flexibility through the holding of cash and cash equivalents, investment in securities with high liquidity, facilities of bank borrowings and issuance of convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity, and the payment amount also includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Non-derivative financial instruments

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Longer than 4 years	Total
December 31, 2019						
Payables	$5,115,471	$-	$-	$-	$-	$5,115,471
Borrowings	1,237,454	12,533,040	2,699,613	5,066,370	218,854	21,755,331
Lease liabilities (Note)	792,980	18,654	19,005	19,363	428,241	1,278,243
December 31, 2018						
Payables	$4,404,040	$-	$-	$-	$-	$4,404,040
Borrowings	541,688	6,456,001	8,202,133	31,315	2,531,315	17,762,452

Notes: Information about the maturities of lease liabilities is provided in the table below:

	Maturities				
	Less than 1 year	1 to 5 years	6 to 10 years	>10 years	Total
Lease liabilities	$792,980	$76,728	$97,410	$311,125	$1,278,243

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2019:

	Short-term borrowings	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$111,879	$16,935,144	$-	$17,047,023
Beginning adjustments			522,423	522,423
Cash flows	402,919	3,591,313	(28,023)	3,966,209
Non-cash changes				
Syndicated loan issuance costs	-	14,771	-	14,771
Amortization on commercial paper	-	(1,351)	-	(1,351)
Additions to right-of-use assets	-	-	774,671	774,671
Interest on lease liabilities amortization	-	-	9,837	9,837
Lease liabilities revaluation adjustments	-	-	135	135
Foreign exchange movement	(21,415)	(211,832)	(800)	(234,047)
As of December 31, 2019	$493,383	$20,328,045	$1,278,243	$22,099,671

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation of liabilities for year ended December 31, 2018:

	Short-term borrowings	Long-term loans	Bonds payable	Total liabilities from financing activities
As of January 1, 2018	$-	$11,939,678	$64,829	$12,004,507
Cash flows	(302,510)	2,499,654	-	2,197,144
Non-cash changes				
The exercise of conversion rights	-	-	(64,498)	(64,498)
Loans from acquisition transactions	413,652	2,420,793	-	2,834,445
Syndicated loan issuance costs and amortization on bonds payable	-	3,370	(331)	3,039
Foreign exchange movement	737	71,649	-	72,386
As of December 31, 2018	$111,879	$16,935,144	$-	$17,047,023

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other payables approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument.

B. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Company's financial assets and financial liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Input other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the assets or liabilities.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets measured at fair value on a non-recurring basis; the following table presents the fair value measurement hierarchy of the Company's assets and liabilities on a recurring basis:

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$55,123	$-	$2,400,157	$2,455,280

December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss- Fund	$101,461	$-	$-	$101,461
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	$25,149	$17,442	$1,725,878	$1,768,469

Transfers between Level 1 and Level 2 during the period

The transfer between Level 1 and Level 2 during 2019 was because of the expiry of lock-up period of the related investments. There was no such transfer during 2018.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended December 31, 2019：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2019	$1,725,878
Liquidation return of surplus value	(395)
Total gains and losses recognized for the year ended December 31, 2019:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	674,279
Reversal of liquidation loss recognized in retain earnings	395
Ending balances as at December 31, 2019	$2,400,157

For the year ended December 31, 2018：

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2018	$1,844,859
Acquired through business combination	45,711
Capital reduction	(8,625)
Total gains and losses recognized for the year ended December 31, 2018:	
Amount recognized in OCI (presented in "unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	(152,035)
Liquidation loss recognized in retain earnings	(4,032)
Ending balances as at December 31, 2018	$1,725,878

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2019

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets Approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$265,575 thousand.
Stocks	Markets Approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$1,426 thousand.

As at December 31, 2018

Financial assets:	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets at fair value through other comprehensive income					
Stocks	Assets Approach	Discount for lack of marketability	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$188,374 thousand.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

Stocks	Markets Approach	P/E, P/B, EV/EBITDA, EV/EBIT and EV/Sales	30%	The higher the proportion of similar quantified information, the higher the fair value of the stocks	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in the Company's equity by NT$4,359 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	December 31, 2019		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$156,508	29.98	$4,692,104
CNY	666,207	4.305	2,868,019
JPY	466,659	0.276	128,798
Monetary financial liabilities			
US$	251,010	29.98	7,525,289
CNY	565,735	4.305	2,435,488
JPY	311,606	0.276	86,003

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

	December 31, 2018		
	Foreign Currency (thousand)	Exchange rate	NT$ (thousand)
Monetary financial assets			
US$	$146,451	30.715	$4,498,246
CNY	247,725	4.472	1,107,824
JPY	690,739	0.2782	192,163
Monetary financial liabilities			
US$	156,573	30.715	4,809,125
CNY	105,246	4.472	470,662
JPY	601,990	0.2782	167,474

The Company has various functional currencies, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange gains were NT$59,506 thousand and NT$87,777 thousand for the years ended December 31, 2019 and 2018, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau for the year ended December 31, 2019:

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to Attachment 1.

C. Securities held as of December 31, 2019: Please refer to Attachment 2.

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock: Please refer to Attachment 3.

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

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

G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please refer to Attachment 5.

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

I. Financial instruments and derivative transactions: None.

J. Parent-subsidiary relationship between business dealings and important circumstances: Please refer to Attachment 7.

(2) Information on investees
Information regarding investee companies over which the Company can exercises significant influence or control: Please refer to Attachment 8.

(3) Investment in Mainland China: Please refer to Attachment 7 and Attachment 9.

14. Segment Information

A. General information

The main revenue stream of the Company comes from testing and assembly services. The chief operating decision maker reviews the overall operating results to make decisions about resources to be allocated to and evaluates the overall performance. Therefore, the Company is aggregated into a single segment.

(Amounts are expressed in thousands of New Taiwan dollars unless otherwise stated)

B. Regional information

(a). From external customer revenue:

	For the years ended December 31,	
	2019	2018
Taiwan	$6,615,790	$5,879,479
Asia	13,433,065	10,593,912
North America	4,925,101	3,765,475
Others	565,481	576,503
Total	$25,539,437	$20,815,369

(b). Non-current assets information is as follows:

	Dec. 31, 2019	Dec. 31, 2017
Taiwan	$31,678,654	$28,483,829
Asia	6,236,691	3,700,422
Others	28,715	353
Total	$37,944,060	$32,184,604

(c). Important customer information

For the years ended December 31, 2019 and 2018, no individual external customer's revenue exceeds 10% of the Company’s consolidated revenues.

ENDORSEMENTS/GUARANTEES PROVIDED

For the year ended December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

NO.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
1	KYEC	King Long Technology (Suzhou) Ltd.	(Note1)	$5,238,388	$160,160	$-	$-	-	0.00%	$10,476,776	Y	N	Y
2		Suzhou Zhengkuan Technology Ltd.	(Note1)		$1,452,080	$1,355,265	$464,125	-	5.17%		Y	N	Y

Note1: A subsidiary in which endorser/guarantor holds directly over 50% of equity interest.

Note2: The amount of guarantees/endorsements for any single entity shall not exceed 20% of net worth of endorser/guarantor.

Note3: The maximum endorsement/guarantee amount allowable shall not exceed 40% of the Company's net worth as of December 31, 2019.

MARKTEABLE SECURITIES HELD

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Securities Type	Securities Name	Relationship with the Company	Financial Statement Account	Balances as of December 31, 2019				Note
					Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
KYEC	Stock	ADL Engineering INC.	-	Non-current financial assets at fair value through other comprehensive income	210,614	$-	1.76%	$-	
	Stock	Shieh Yong Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	57,810,000	516,835	7.58%	516,835	
	Stock	APM Communication, Inc.	-	Non-current financial assets at fair value through other comprehensive income	10,456	-	0.11%	-	
	Stock	Greenliant Systems, Ltd.	-	Non-current financial assets at fair value through other comprehensive income	2,333,333	-	2.74%	-	
	Stock	YANN YUAN Investment Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	25,000,000	1,873,338	16.78%	1,873,338	
	Stock	Mcube Inc.	-	Non-current financial assets at fair value through other comprehensive income	528,745	-	0.97%	-	
	Stock	Unimicron Technology Corporation	-	Current financial assets at fair value through other comprehensive income	717,000	30,114	0.05%	30,114	
	Stock	IROC Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	436,046	13,670	1.23%	13,670	
	Stock	Subtron Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	927,147	11,339	0.32%	11,339	
	Stock	CAL-COMP INDÚSTRIA DE SEMICONDUTORES S.A.	-	Non-current financial assets at fair value through other comprehensive income	11,965,500	9,984	17.16%	9,984	

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 3

INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WHICH ACCUMULATED AMOUNT EXCEEDING THE LOWER OF NT$300 MILLION OR 20% OF THE CAPITAL

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars and CNY in Thousand , Unless Specified otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Units/Shares	Amounts	Units/Shares	Amounts	Units/Shares	Amounts	Units/Shares	Amounts
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Investments accounted for using the equity method	(Note1)	Subsidiary	-	$-	-	CNY$86,015	-	$-	-	CNY$89,499

Note1：Sino-Tech Investment Co., Ltd. and Strong Outlook Investments Ltd.。

Note2：The amount includes investment income (loss) recognized by using the equity method.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 4

ACQUISITION OF INDIVIDUAL REAL ESTATE WITH AMOUNT EXCEEDING THE LOWER OF NT$300 MILLION OR 20% OF THE CAPITAL STOCK

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Held Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Usage of Acquisition	Other Commitments
							Owner	Relationship with the Issuer	Transfer Date	Amount			
KYEC	Land and building	2019.2.1	$850,000	Prepaid $707,976	Henghou Xingye Co., Ltd.	None	Not applicable				Valuation report and real estate sale and purchase agreement	Purpose：to meet the needs of future operation and development Using status：ownership not transferred	

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable (Included Contract Assets)	
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total
KYEC	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	Sales	$1,852,957	8.48%	Month-end 75 days	Note	Month-end 30 to 120 days	$451,276	9.51 %
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	Sales	$913,779	4.18%	Month-end 60 days		Month-end 30 to 120 days	$310,965	6.55 %
	Airoha Technology Corporation	Subsidiary of MediaTek Inc.	Sales	$270,431	1.24%	Month-end 60 days		Month-end 30 to 120 days	$90,465	1.91 %
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	Sales	$113,763	4.34%	Month-end 90 days		Month-end 60 to 90 days	$79,283	7.68 %

Note: Comparable to regular customers.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 6

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

As of December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rates	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
KYEC	MediaTek Inc.	The chairman of the Company and the chairman of Mediatek Inc. are close relatives	$457,511 (Note 1)	4.26	$1	-	$277,032	-
	Mediatek Singapore Pte. Ltd.	Subsidiary of MediaTek Inc.	$312,516 (Note 2)	3.14	$133	-	$194,534	-
	King Long Technology (Suzhou) Ltd.	Subsidiary	$802,048 (Note 3)	3.22	$-		$170,967	-
King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	Subsidiary	$132,224 (Note 4)	1.55	$92,669	-	$15,902	-

Note 1：Includes other receivables - related party amounting to NT$6,235 thousand arising from handling charges, freights and tax fees.

Note 2：Includes other receivables - related party amounting to NT$1,551 thousand arising from customs clearance charges and freights.

Note 3：Includes other receivables - related party amounting to NT$786,490 thousand arising from disposing equipments and accessories.

Note 4：Includes other receivables - related party amounting to NT$52,941 thousand arising from utility fees.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

Attachment 7

INTERCOMPANY RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIOD

For the year ended December 31, 2019

(Amounted in New Taiwan Thousand Dollars, Unless Specified otherwise)

Number	Company name	Counterparty	Relationship	Finacial Statement account	Amount (Foreign Currency in Thousands)	Transaction terms	% of Net revenues or total assets
0	KYEC	KYEC USA Corp.	1	Commission expense	$56,150	As stipulated by contracts	0.22%
				Accrued expenses	6,596		0.01%
		King Long Technology (Suzhou) Ltd.		Disposal of equipments	596,056		1.08%
				Purchase on equipments	129,595		0.24%
				Accounts receivable	15,558		0.03%
				Other receivables	786,490		1.43%
				Sales revenue	25,894		0.10%
				Other income	7,510		0.03%
				Deferred credits	118,747		0.22%
		KYEC Japan. K.K.		Accrued expenses	3,065		0.01%
				Commission expense	23,490		0.09%
		KYEC Singapore PTE. LTD.		Commission expense	38,518		0.15%
		King Ding Precision Incorporated Company		Disposal of equipments	15,800		0.03%
				Purchase on equipments	17,100		0.03%
				Other receivables	16,590		0.03%
				Accrued expenses	17,955		0.03%
		Suzhou Zhengkuan Technology Ltd.		Endorsement Guarantee	464,125		-
					(US$15,000)		-
					(CNY 3,351)		-
				Disposal of equipments	18,277		0.03%
				Other receivables	10,158		0.02%
				Sales revenue	9,869		0.04%
				Purchase	1,810		0.01%
				Deferred credits	2,348		-
1	King Long Technology (Suzhou) Ltd.	Suzhou Zhengkuan Technology Ltd.	3	Sales revenue	113,763		0,45%
				Accounts receivable	79,283		0.14%
				Other receivables	52,941		0.10%

Note 1: The information of transactions between the Company and the conlidated subsidiaries should be noted in "Number" column.
(1) Number 0 represents the Company.
(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:
(1) The Company to the consolidated subsidiary.
(2) The consolidated subsidiary to the Company.
(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

For the year ended December 31, 2019

Amount in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Profits/Losses of Investee	Note
				December 31,2019	December 31,2018	Shares	Percentage of Ownership	CarryingValue			
KYEC	KYEC USA Corp.	Note 1	Sales agent and business communication in USA	$4,973	$4,973	160,000	100.00 %	$11,732	$584	$584	
	KYEC Investment International Co., Ltd.	Note 2	Investing activities	5,292,315	5,665,371	164,923,636	100.00 %	4,518,785	601,106	601,106	
	KYEC Technology Management Co., Ltd.	Note 3	Investing activities	251,579	251,579	7,500,000	100.00 %	287,967	38,990	38,990	
	KYEC Japan. K.K.	Note 4	Manufacturing and sales of Electronic parts and components, sales agent and business communication in Japan	102,735	102,735	1,899	89.83 %	52,497	(711)	(639)	
	KYEC SINGAPORE PTE. LTD.	Note 5	Sales agent and business communication in Southeast Asia and Europe	1,830	1,830	78,000	100.00 %	2,024	1,254	1,254	
	Fixwell Technology Corp.	Note 6	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	28,000	28,000	2,800,000	23.33 %	45,305	39,506	9,287	
	Wei Jiu Industrial Co., Ltd.	Note 7	CNC center processing machine, lathe machining processing design and various precision machanical components manufacturing	10,200	10,200	1,020,000	34.00 %	19,923	14,849	5,049	
	King Ding Precision Incorporated Company	Note 8	Manufacturing, selling and wholesale of electronics parts and components and repairing of electronics related products	72,600	35,530	6,600,000	100.00 %	74,055	3,921	3,931	
KYEC Investment International Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 116,155	USD 116,155	118,000,000	94.02 %	USD 150,727	USD 21,175	-	
	Sino-Tech Investment Co., Ltd.	Note 3	Investing activities	USD 32,431	USD 40,000	32,431,235	100.00 %	USD -	(USD 239)	-	
	Strong Outlook Investments Ltd.	Note 2	Investing activities	USD 16,338	USD 21,000	30,337,400	100.00 %	USD -	(USD 148)	-	
KYEC Technology Management Co., Ltd.	KYEC Microelectronics Co., Ltd.	Note 9	Investing activities	USD 7,500	USD 7,500	7,500,000	5.98 %	USD 9,605	USD 21,175	-	

Note 1：101 Meto Drive., #540 San Jose, CA 95110 USA.

Note 2：Wickhams Cay II Road Town, Tortola, VG1110, British Virgin Islands.

Note 3：Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

Note 4：5F 2-3-8 Momochihama, Sawara-ku, Fukuoka 814-0001 Japan.

Note 5：750A Chai Chee Road Unit 07-22 Technopark @Chai Chee, Singapore 469001.

Note 6：No.380, Huashan Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)

Note 7 : No.8, Aly. 8, Ln. 48, Sec. 2, Nan'ai Rd., Xiangshan Dist., Hsinchu City 300, Taiwan (R.O.C.)

Note 8 : No. 118, Zhonghua Rd., Zhunan Township, Miaoli County 350, Taiwan (R.O.C.)

Note 9：P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA

For the year ended December 31, 2019

Amount in New Taiwan Thousand Dollars and United States Thousand Dollars, Unless Specified otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated outflow of Investment from Taiwan as of January1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 5)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
King Long Technology (Suzhou) Ltd.	Note 1	$544,677 (USD 18,168)	Indirectly investment in Mainland China through companies registered in a third region (Note 2)	$3,707,177 (USD 123,655)	$-	$-	$3,707,177 (USD 123,655)	$652,000 USD 21,175	100%	$652,000 USD 21,175	$4,806,753 USD 160,332	$-
Suzhou Zhengkuan Technology Ltd.	Note 3	$2,291,334 (CNY 533,348)	Indirectly investment in Mainland China through companies registered in a third region (Note 4)	$1,828,780 (USD 61,000)	$-	$366,696 (USD 12,231)	$1,462,084 (USD 48,769)	$36,157 USD 1,159	100%	$36,157 (USD 1,159)	$384,499 USD 12,825	$-

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$5,169,261 (USD 172,424)	$5,169,261 (USD 172,424)	$15,715,164

Note 1: Sales and manufacturing of components of automotive data processing machinery, solid memory parts, monitoring burn-in machinery, and testing and assembly service of integarted circuits.

Note 2: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in King Long Technology (Suzhou) via KYEC Microelectronics Co., Ltd. which is registered in Cayman Island. KYEC Microelectronics Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI.

Note 3: Testing and assembly service of integrated circuits, sales and after service of processing of electronic components and materials, components of automotive data processing machinery, solid memory parts, and monitoring burn-in machinery.

Note 4: The Company obtained the approval from the Investment Commission, MOEA, to invest indirectly in ZhengKun Technology Ltd. (Suzhou) via Sino-tech Investment Co., Ltd. which is registered in Samoa. Sino-tech Investment Co., Ltd. is invested by KYEC Investment International Co., Ltd. which is registered in BVI. For the purpose of reorganization, the ownership of Suzhou Zhengkuan Technology Ltd. was transferred to King Long Technology (Suzhou) Ltd. in March, 2019.

Note 5: Recognition of investment gains (losses) was calculated based on the investee's audited financial statements.

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial position: N/A.

Six. Review and analysis of financial position and financial performance, and risk assessment

I. Financial position

The main reasons for any material change in the Company's assets, liabilities, or shareholders' equity during the past 2 fiscal years, and the effect thereof, and the measures to be taken in response if the effect is of material significance.

Analysis of financial position

Unit: NTD thousand

Year / Title	2019.12.31	2018.12.31	Increase (decrease)	Variation (%)
Current assets	13,890,983	12,625,373	1,265,610	10.02
Non-current financial assets at fair value through other comprehensive income	2,425,166	1,752,480	672,686	38.38
Investment under equity method	65,228	62,352	2,876	4.61
Property, plant and equipment	36,890,887	31,907,296	4,983,591	15.62
Other non-current assets	1,806,885	808,258	998,627	123.55
Total assets	55,079,149	47,155,759	7,923,390	16.80
Current liabilities	7,900,969	5,401,904	2,499,065	46.26
Non-current liabilities	20,979,726	17,234,003	3,745,723	21.73
Total liabilities	28,880,695	22,635,907	6,244,788	27.59
Capital stock	12,227,451	12,227,451	-	-
Additional paid-in capital	4,832,721	4,844,536	(11,815)	(0.24)
Retained earnings	9,534,173	8,208,297	1,325,876	16.15
Total shareholders' equity	26,198,454	24,519,852	1,678,602	6.85

The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT$10 million, and the effect thereof are analyzed and stated as following:

1. Increase in financial assets measured at fair value through other comprehensive income - non-current: Mainly due to the increase in net worth of Yann Yuan Investment Co., Ltd.
2. Increase in other non-current assets: Mainly due to recognition of right-of-use assets by initial application of IFRS 16 "Leases" in January 1, 2019.
3. Increase in current liabilities: Mainly due to the increase in related payables lead by sales growth, and the increase in lease liabilities due within one year by initial application of IFRS 16 "Leases" in January 1, 2019.
4. Non-current liabilities: Mainly due to the increase in long-term borrowings lead by operational needs, and the increase in lease liabilities due for more than one year by initial application of IFRS 16 "Leases" in January 1, 2019.

II. Financial performance

The main reasons for any material change in operating revenues, operating income, and income before tax during the past 2 fiscal years, and sales volume forecast and the basis thereof, and the effect upon the Company's financial operations as well as measures to be taken in response.

Comparison and analysis of operating results

Unit: NTD thousand

Title / Year	2019	2018	Increase (decrease)	Variation (%)
Operating revenue	25,539,437	20,815,369	4,724,068	22.70
Operating cost	(18,523,521)	(15,451,671)	(3,071,850)	19.88
Gross profit	7,015,916	5,363,698	1,652,218	30.80
Operating expense	(2,970,902)	(2,644,017)	(326,885)	12.36
Net operating profit	4,045,014	2,719,681	1,325,333	48.73
Non-operating revenue and expense	(130,151)	(330,123)	199,972	(60.57)
Net profit before tax	3,914,863	2,389,558	1,525,305	63.83
Income tax expense	(873,379)	(595,668)	(277,711)	46.62
Net profit - current period	3,041,484	1,793,890	1,247,594	69.55
Other comprehensive income (loss) - current period	343,585	(245,673)	589,258	239.85
Total comprehensive income - current period	3,385,069	1,548,217	1,836,852	118.64

The main reasons for the change between the previous and current periods by more than 20% and the amount of change amounting to more than NT$10 million, and the effect thereof are analyzed and stated as following: 1. Increase in operating revenue, gross profit, net operating profit, net profit and total comprehensive income: This was mainly due to customer demand for 5G base stations and 5G mobile phones, coupled with the de-Americanization of components caused the growth of operating income. 2. Increase in net non-operating revenue and expense: This was mainly due to recognition of investment losses of Dawning Leading Technology Inc. in the previous period, with no investment gains or losses in the current period after acquisition. 3. The increase in income tax expenses is mainly due to the increase in profitability. 4. Increase in other comprehensive income in the current period: This was mainly due to recognition of gains on unrealized evaluation of Yann Yuan Investment Co., Ltd.

III. Cash Flow

Any cash flow changes during the most recent fiscal year, corrective measures to be taken in response to illiquidity, and a liquidity analysis for the coming year.

Analysis of liquidity in the previous two years

Item Year	2019	2018	Increase (decrease) (%)
Cash flow ratio	137.12%	156.02%	(12.11)
Cash flow adequacy ratio (%)	85.75%	83.16%	3.11
Cash flow reinvestment ratio (%)	7.84%	5.72%	37.06
Analysis of variations: Increase in cash flow reinvestment ratio: The main reason was that the Company benefited from customers demand to set up 5G base stations and 5G mobile phones, and sales of Apple's new mobile phone were better than expected. In addition, China's de-Americanization campaign of semiconductor components ramped up operating revenue.			

Analysis of liquidity in the coming year

Unit: NTD thousand

Initial cash balance ①	Projected net cash flow from operating activities for the year ②	Projected cash outflow of the year ③	Projected cash balance (deficit) ①+②-③	Remedial measures against insufficient projected cash flow	
				Investment plans	Financing plans
$4,155,944	$10,661,457	$19,722,356	$4,904,955	$-	$8,793,961

1. Analysis of cash flow for the year:
(1) Operating activities: The net cash inflow, NT$10,661,457 thousand, is expected to be generated from operating activities.
(2) Investing activities: The capital expenditure are expected to be NT$6,617,400 thousand.
(3) Financing activities: Expected to repay the long-term loan, NT$9,736,137 thousand, allocate cash dividends, and the remuneration to employees and directors, NT$2,568,247 thousand.

IV. Material capital expenditures in the last year and impact on business performance:

(I) Major capital expenditure and source of capital

Unit: NTD thousand

Projects	Actual or expected source of fund	Actual or expected date of completion	Total fund to be required	Actual or expected fund utilization		
				2018	2019	2020
Investment in construction of factories and machine & equipment	Proprietary funds and bank deposits	2018.12	9,007,997	8,230,038	777,959	-
Investment in construction of factories and machine & equipment	Proprietary funds and bank deposits	2019.12	11,780,663	-	10,817,151	963,512
Investment in construction of factories and machine & equipment	Proprietary funds and bank deposits	2020.12	6,893,725	-	-	6,893,725

(II) Projected benefits

1. Projected possible increased output/sale volume and value, and gross profit

Unit: NTD thousand

Year	Item	Output volume	Sale volume	Sale value	Gross profit
2020	Integrated circuits processing and test	Note	Note	618,782	123,756
2021	Integrated circuits processing and test	Note	Note	883,974	247,513
2022	Integrated circuits processing and test	Note	Note	883,974	247,513

Note: It is impossible to enumerate the same, because the unit of measurement varies depending on different processes.

2. Notes to other benefits

A. Strengthen the production structure of the vertical division of labor in the semi-conductor industry.

B. Balance the fab's production capacity which is growing rapidly, and share the risk over investment in the fab investment at the latter stage to upgrade the efficiency of investment efficiency in the core business.

C. Increase the high-efficiency and low-cost professional test services to upgrade the entire competitiveness.

D. Solve the back-end production problems with respect to the IC design companies which the Company has successively invested in.

V. The investment Strategy in the most recent year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

(I) The Company's investment strategy is primarily intended to align with the Company's enhanced development of the core business, so as to strengthen the relationship with major customers and extend the sensitivity of related industries.

(II) The investment gain, NT$14,336 thousand, recognized by the Company under equity method in 2019 primarily resulted from the gain from the operation of the Company's investees, Fixwell Technology Corp. and Wei Jiu Industrial Co., Ltd.

(III) Investment plan for the coming 1 fiscal year: N/A

VI. Analysis and assessment of risk factors

(I) Impact of interest rate, exchange rate, and inflation on the Company's earnings, and responsive measures:

1. Notes to the impact of interest rate and exchange rate changes and inflation on the Company's earnings

A. Impact of interest rate and exchange rate changes on the Company's earnings:

Unit: NTD thousand

Item	2019	2018
Exchange gains (losses) (A)	55,551	84,731
Interest income (expense) (B)	(232,574)	(181,890)
Operating revenue (C)	21,845,844	18,469,742
Net profit before tax (D)	3,815,111	2,353,657
A/C (%)	0.25	0.46
A/D (%)	1.46	3.60
B/C (%)	-	-
B/D (%)	-	-

Source of data: The financial statements certified by the CPA.

For the interest rate and exchange rate changes, the interest expenditure rendered more substantial impact on the earnings.

B. The influence of inflation on the Company’s earnings: The inflation has no material impact on the Company's earnings.

2. The Company's responsive measures against interest rate and exchange rate changes and inflation:

A. The capital expenditure are intended for import of equipment. In order to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit, the Company reached an agreement with major customers to collect accounts receivable in USD, in part, to make some payment.

B. Establish Article 12 of the Operating Procedures for Acquisition or Disposition of Assets, “Operating Procedure for Acquisition or Disposition of Derivatives” as the basis for operation of the foreign currency exchange rate hedging tools to mitigate the impact rendered by the fluctuation in foreign exchange rate on profit.

C. Collect the information about fluctuation in foreign exchange rate and interest rate on a daily basis to help take responsive measures in a timely manner.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

1. The Company has never engaged in any high-risk and highly leveraged investments or loans to third parties. Therefore, no impact on the Company’s operation was rendered by said transactions.

2. Endorsements/guarantees

(1) To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from KGI Bank, Taishin International Bank, O-Bank, HSBC Taiwan, Shanghai Commercial Bank, and Bank SinoPac. As of December 31, 2019, credit facilities granted by the above banks amounted to US$8,000 thousands,

US$5,000 thousands, US$5,000 thousands, US$5,000 thousands, US$5,000 thousands, and US$5,000 thousands, respectively.

(2) To meet the need of Suzhou Zhen Kun Technology Ltd. for operation, the Company made an endorsement/guarantee for it to secure the loan from Bank of Taiwan Shanghai Branch, E.Sun Bank Dongguan Branch, and Bank SinoPac (China). As of December 31, 2019, a sum of RMB 30,000 thousands, RMB 30,000 thousands and RMB 25,000 thousands had been drawn on the credit facilities.

3. The Company adopts the stable policy to operate its financial fund. The fund is mainly deposited as term-deposit at banks and renowned money market/bond fund with fair rate of return. The Company also established the operating procedures for loaning to others and operating procedures for making endorsements/guarantees.

(III) Future research and development plans and projected expenses:

Item No.	Plan	Estimated time of completion	Projected expenses (NTD)
1	Develop LiDAR CP/ FT testing solution.	2020/Q2	3,000,000
2	High parallism images sensor package testing solution built up.	2019/Q4	7,000,000
3	High Power Burn In Automation system.	2020/Q4	15,000,000
4	AGV(Automated Guided Vehicle).	2020/Q4	10,000,000
5	SLAM (Simultaneous Localization and Mapping)	2020/Q3	1,000,000
6	Bowl feeder	2020/Q4	2,000,000
7	CIS CP 64 sties testing interface & docking.	2020/Q4	3,000,000
8	High-power burn-in furnace cooling system.	2020/Q4	3,000,000
9	Develop cost effective Burn in system for HPC IC. 1. Support BIB power consumption up to 3KW. 2. Implement high communicated interface. 3. Add channel up to 256. 4. Enhance system reliability.	2020/Q4	11,000,000
10	Develop cost effective Burn in board for HPC IC. 1. Support higher power consumption up to 700W / per DUT 2. Intelligent burn-in for high speed solution.	2020/Q4	5,000,000
11	Develop E-serial new generation logical tester. 1. E320 1536 channel / 216 DPS for CP/FT. 2. Anlog Option Mudule. 3. Implement performance DPS. 4. Enhance system reliability.	2020/Q4	18,000,000
12	Develop E-serial new generation logical tester. 1. E320 1024channel / 144 DPS for CP/FT. 2. Implement High Accuracy PPMU. 3. LVM 4G. 4. Enhance system reliability.	2020/Q4	14,000,000
13	Develop E-serial CIS tester. 1. Add MIPI high speed option 4.5GHz 2. Implement high parallel test DUT 3. High density PE board for mobile 4. Improve system efficiency 5. Enhance CIS testing capability	2020/Q4	12,000,000

14	Develop MEMS Gas Flow-Sensor mass production test technology. 1. Establish the experimental and certification environment for MEMS Gas Flow-Sensor. 2. R&D the test modules and technology for MEMS Gas Flow-Sensor.	2020/Q3	12,500,000
15	Develop MEMS High Humidity-Sensor mass production test technology. 1. R&D and certify MEMS High Humidity-Sensor modules and technology. 2. Develop testing environment for MEMS High Humidity Sensor	2020/Q3	11,000,000
16	Develop MEMS Bio-Sensor CP Wet mass production test technology. 1. Establish the experimental and certification environment for MEMS Bio-Sensor CP Wet test. 2. R&D the test modules and technology for MEMS Bio-Sensor CP Wet test.	2020/Q4	10,000,000
17	Develop MEMS LWIR-Sensor mass production test technology. 1. R&D and certify MEMS LWIR-Sensor modules and technology. 2. Develop MEMS LWIR-Sensor production capacity.	2020/Q4	4,000,000
18	Develop VCPC for Fine Pitch and High Speed.	2020/Q4	3,000,000
19	Develop RF PCB for <40GH RF Signal.	2020/Q4	2,000,000

(IV) Impact on the Company's financial standing due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

The Company has taken adequate responsive measures against the changes in domestic or foreign policies and laws in the recent years. Therefore, no significant impact should be rendered on the Company's financial standing.

(V) Impact on the Company's financial standing due to technological or industrial changes, and corresponding countermeasures:

Considering that the test technology became complicated increasingly in the recent year, the Company needs to continue investing fixed fund to purchase new machine and equipment to develop new business opportunities. The Company has found financial structure. Therefore, the Company's capital expenditure can satisfy the demand under the new orders for high-end test technology.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate identity:

Ethics is the first priority which the corporate identity should focus on. The Company has specified such important principle in its corporate culture and articles of incorporation. Therefore, ethics has become an essence upheld by the Company in its corporate governance.

(VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions: N/A.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions: N/A.

(IX) Risks and responsive measures associated with concentrated sales or purchases: N/A.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest: N/A.

(XI) Impacts, risks and responsive measures associated with a change of management: N/A.

(XII) Major litigations and non-contentious cases: Describe the major litigations, non-contentious cases or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders' equity or security prices of the Company, and disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

- Non-contentious case: Application for the ruling against the subscription price of stock.

(1) Case summary: Part of the original shareholders ofDawning Leading Technology Inc. held dissenting views on the acquisition of Donglin by NT$3.0 per share.

(2) Amount involved: NT$52,585,275

(3) The date the litigation first started: The Company filed a statement claim to the court on November 20, 2018 on the acquisition price, and NT$52,585 thousands for the dissenting shareholders has been deposited in the account of Taipei District Court.

(4) Main parties involved: KYEC/Cal-Comp Thailand

(5) Status: The case is now pending trial by Hsinchu District Court.

(XIII) Other significant risks and response measures:

Analysis and assessment of information security risks:

The Company has established information security policies and management practices based on the risks identified. An Information Security Task Force has been assembled to review information security policy and conduct information security training on a regular basis.

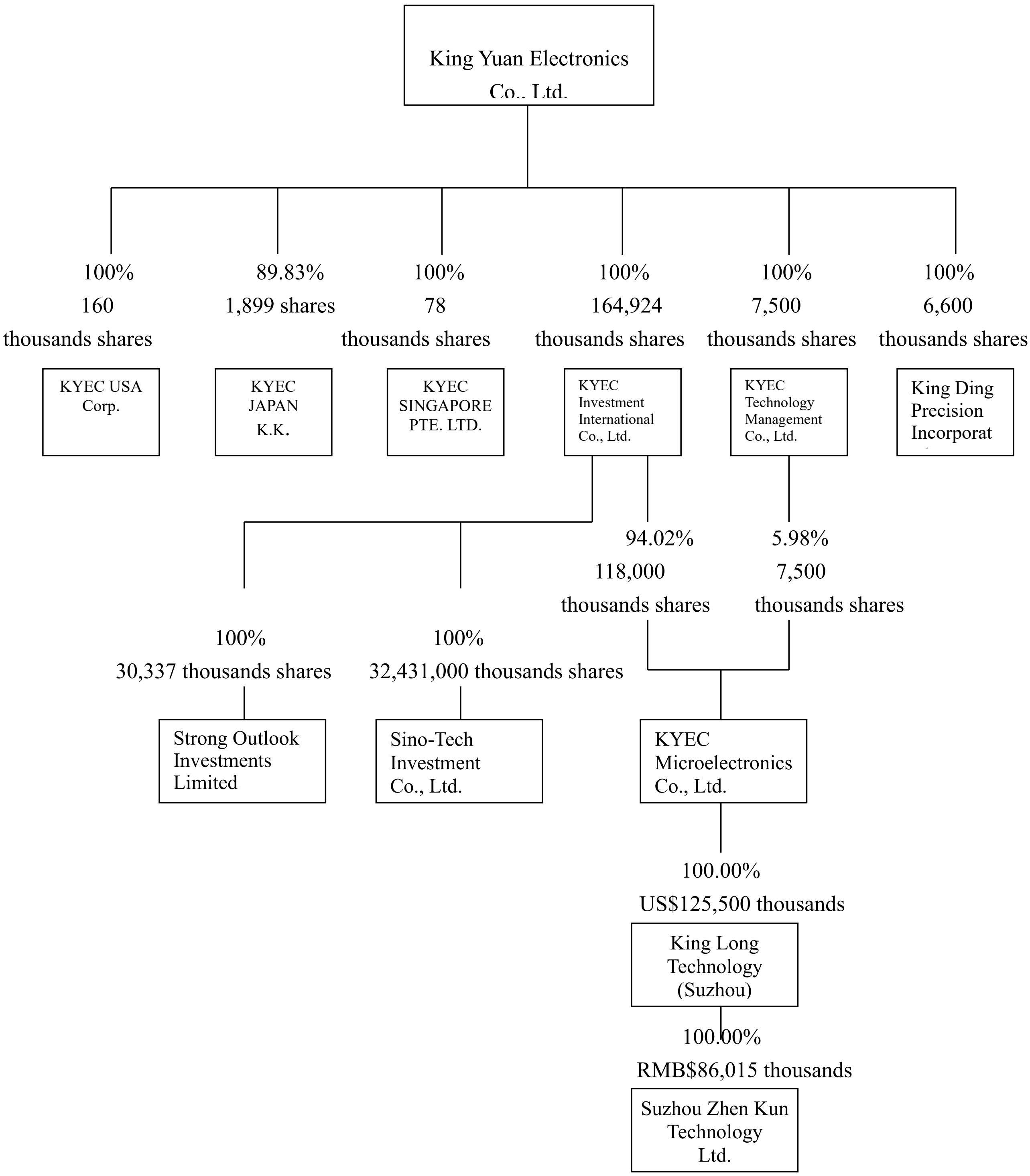
- **Information security policy and management**
  - ◆ **Operational impact analysis (Internet risk assessment): At least once a year**
  - ◆ **Information security policy**
    - ✓ **Network security management**
    - ✓ **System access control**
    - ✓ **System development, maintenance and security management**
    - ✓ **Information asset security management**
    - ✓ **Off-site support**
  - ◆ **Emergency response measures**
    - ✓ **Information security incident reporting**
    - ✓ **Information security incident reporting procedures and channels**
- **Security Task Force**
  - ◆ **Regular meetings**
  - ◆ **Devise information security policies review execution progress**
- **Employee information security training**
  - ◆ **Regular information security training for employees**

VII. Other Significant Events: N/A.

Seven. Special Items

I. Information on Affiliates

(I) Organizational chart of affiliates



(II) Basic information on affiliates

Corporate name	Date of Establishment	Address of Establishment	Paid-in capital	Core Business
KYEC USA Corp.	July 2000	CA USA	USD 160 thousands	Act as the agent for business in the territories of the U.S.A. and related communications.
KYEC SINGAPORE PTE. LTD.	December 2006	SINGAPORE	SGD 78 thousands	Act as the agent for business in the territories of South East Asia and Europe and related communications.
KYEC JAPAN K.K.	April 2002	FUKUOKA JAPAN	JPY 84,560 thousands	Engage in electronic parts manufacturing and trading, and act as the agent for business in the territories of Japan and related communications.
KYEC Investment International Co., Ltd.	May 2002	B.V.I	USD 164,924 thousands	General investment
KYEC Technology Management Co., Ltd.	January 2003	SAMOA	USD 7,500 thousands	General investment
KYEC Microelectronics Co., Ltd.	May 2002	CAYMAN	USD 125,500 thousands	General investment

Sino-Tech Investment Co., Ltd.	September 2008	SAMOA	USD 32,431 thousands	General investment
Strong Outlook Investments Limited	July 2005	B.V.I	USD 30,337 thousands	General investment
King Ding Precision Incorporated Company	March 2018	Chu-Nan, Miao-Li	NTD66,000 thousands	Manufacturing of electronic parts, wholesale and retail of electronic materials, and repairing of electric appliances and electronic products.
King Long Technology (Suzhou) Ltd.	September 2002	Suzhou City, Jiangsu Province, China	USD 18,168 thousands	Engaged in the operation of business about processing, assembly and sale of analog or hybrid automatic data processor parts, solid memory system and heating ovens, and integrated circuit package and test.
Suzhou Zhen Kun Technology Ltd.	December 2005	Suzhou City, Jiangsu Province, China	RMB 558,030 thousands	Integrated circuits package and test, production and sale of processed electronic parts, electronic materials, analog or hybrid automatic data processor, solid memory system and heating ovens, and related after-sale services.

(III) Entities having controlling and subordinate relations with the Company under Article 369-3 of the Company Act: N/A.

(IV) The industry covered by the business operated by the entire affiliates: For the industry covered by the business operated by the affiliates, please refer to the main business lines in the "(II) Basic information on affiliates" on the same page.

(V) Information on directors, supervisors, and presidents of affiliated corporations

2019.12.31

Name of affiliated corporations	Title	Name or Representative	Shares	
			Shares	Shareholding ratio (%)
KYEC USA Corp.	Director & Chairman	An-Hsuan Liu (Representative of KYEC)	160 thousands shares	100.00
	Director	Gauss Chang (Representative of KYEC)	160 thousands shares	100.00
	Director	Chung-Wen Wang (Representative of KYEC)	160 thousands shares	100.00
	Director	Neil Chung (Representative of KYEC)	160 thousands shares	100.00
KYEC SINGAPORE PTE. LTD.	Director & Chairman	An-Hsuan Liu (Representative of KYEC)	78 thousands shares	100.00
	Director	Gauss Chang (Representative of KYEC)	78 thousands shares	100.00
	Director	Victor Lim (Representative of KYEC)	78 thousands shares	100.00
	Director	Logan Chao (Representative of KYEC)	78 thousands shares	100.00
KYEC JAPAN K.K.	Director & Chairman	Ching-Ming Lin (Representative of KYEC)	1,899 shares	89.83
	Director	Teng-Yao Chang	0 share	0.00
	Director (Adjunct President)	Takaaki Suzuki	37 shares	1.75
	Supervisor	Logan Chao	0 share	0.00
	Supervisor	Yoshiro Hori	55 shares	2.60
KYEC Investment International Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC)	164,924,000 thousands shares	100.00

KYEC Technology Management Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC)	7,500 thousands shares	100.00
KYEC Microelectronics Co., Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC Investment International Co., Ltd., and KYEC Technology Management Co., Ltd.) Representative)	125,500 thousands shares	100.00
Sino-Tech Investment Co., Ltd.	Director & Chairman	Chin-Kung Lee (KYEC Investment International Co., Ltd. Representative)	32,431 thousands shares	100.00
Strong Outlook Investments Limited	Director & Chairman	Chin-Kung Lee (KYEC Investment International Co., Ltd. Representative)	30,337 thousands shares	100.00
King Long Technology (Suzhou) Ltd.	Director & Chairman	Chin-Kung Lee (Representative of KYEC Microelectronics Co.)	USD 18,168 thousands	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of KYEC Microelectronics Co.)	USD 18,168 thousands	100.00
	Director	Aaron Chang (Representative of KYEC Microelectronics Co.)	USD 18,168 thousands	100.00
	Supervisor	Gauss Chang (Representative of KYEC Microelectronics Co.)	USD 18,168 thousands	100.00
Suzhou Zhen Kun Technology Ltd.	Director & Chairman	Chin-Kung Lee (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB$86,015 thousands Acquired ownership of RMB$558,030 thousands shares	100.00
	Director (Adjunct President)	An-Hsuan Liu (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB$86,015 thousands Acquired ownership of RMB$558,030 thousands shares	100.00

	Director	Gauss Chang (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB$86,015 thousands Acquired ownership of RMB$558,030 thousands shares	100.00
	Supervisor	K.K Lee (Representative of King Long Technology (Suzhou) Ltd.)	Invested RMB$86,015 thousands Acquired ownership of RMB$558,030 thousands shares	100.00
King Ding Precision Incorporated Company	Director & Chairman	Chin-Kung Lee (Representative of KYEC)	6,600 thousands shares	100.00
	Director	Steven Chang (Representative of KYEC)	6,600 thousands shares	100.00
	Director	K.K Lee (Representative of KYEC)	6,600 thousands shares	100.00
	Supervisor	Logan Chao (Representative of KYEC)	6,600 thousands shares	100.00

(VI) Operating overview of affiliated corporations

Unit: NTD thousand

Name of affiliated corporations	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	EPS (NTD) (after tax)
KYEC USA Corp.	4,973	43,814	32,083	11,731	56,131	1,180	583	3.65
KYEC SINGAPORE PTE. LTD.	1,830	8,977	6,953	2,024	38,507	1,256	1,254	16.08
KYEC JAPAN K.K.	23,897	73,746	15,306	58,440	24,847	(419)	(711)	(336.27)
KYEC Investment International Co., Ltd.	5,292,315	4,518,786	-	4,518,786	-	-	601,106	3.64
KYEC Technology Management Co., Ltd.	251,579	287,967	-	287,967	-	-	38,990	5.20
KYEC Microelectr-onics Co., Ltd.	4,074,993	4,815,506	6	4,815,500	-	-	652,000	5.20
Sino-Tech Investment Co., Ltd.	1,011,253	2	2	-	-	-	(7,367)	(0.23)
Strong Outlook Investments Limited	1,013,526	-	-	-	-		(4,538)	(0.15)
King Long Technology (Suzhou) Ltd.	558,030	9,276,745	4,540,025	4,736,720	2,724,415	703,119	652,000	-
Suzhou Zhen Kun Technology Ltd.	2,397,835	1,040,288	730,630	309,658	1,084,753	52,701	36,157	-
King Ding Precision Incorporated Company	66,000	93,657	19,030	74,627	47,107	4,486	3,921	0.59

II. Any private placement of securities in the recent years up to the

publication of this annual report: N/A.

III. Holding or disposition of the Company's stock by subsidiaries in the most recent year and up to the publication date of the annual report: N/A.

IV. Other important supplementary information: N/A.

Eight. Matters that materially affect shareholders' equity or the prices of the Company's securities: N/A.

King Yuan Electronics Co., Ltd.

Director & Chairman: Chin-Kung Lee

京元電子股份有限公司
The Testing Industry Benchmark

■ Headquarters: 30070 No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C. TEL: 886-3-5751888
Headquarters: 30070 No. 81, Sec. 2, Gongdaowu Rd., Hsin-Chu, Taiwan, R.O.C.

■ Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C. TEL: 886-37-595666
Chunan Branch: 35053 No. 118, Chung-Hua Rd., Chu-Nan, Miao-Li, Taiwan, R.O.C.

■ Tongluo Branch: 36645 No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C. TEL: 886-37-980188
Tongluo Branch: 36645 No. 8, Tongke N. Rd., Tongluo Township, Miao-Li, Taiwan, R.O.C.