WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd. and Subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. The Group calculates the amount of supplier rebates in accordance with the arrangement, and recognises it as a deduction of accounts payable to suppliers, and also a deduction of cost of sales or inventory depending on whether the inventories have been sold. The Group pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and requires more audit effort to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;
B. Performed trend analysis on the ratio of supplier rebates to corresponding transaction amount;
C. Sampled supplier rebates and tested whether the transaction quantities which were used in the calculation were consistent with its original transaction data, and obtained arrangements and calculation worksheets to ensure that the rebate recognition was consistent with the arrangements;

D. Sampled the supplier rebates which were recognised before balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and

E. Performed confirmation of selected material accounts payable, examined whether there is a significant difference between the amount of supplier rebates recognised based on the arrangements and the amount indicated in the suppliers' confirmation, and investigated the differences, if any.

Impairment assessment of goodwill

Description

Refer to Note 4(20) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(10) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2019, the Group's goodwill amounted to NT$1,859,262 thousand.

Relative to the aforementioned acquired company and distribution business, some distribution businesses were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group uses the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assessed whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Assessed the consistency of smallest cash generating unit which was identified by management and used in goodwill allocation, and the lowest level at which management monitored the goodwill;
B. Assessed management's assessment process of each cash generating unit and determined whether the future cash flows used in valuation model for the next 5 years are consistent with the operating plan which was approved by the Board of Directors;
C. As the recoverable amount was determined based on value-in–use, ascertained the reasonableness of each estimated growth rate, discount rate and other significant assumptions and performed the following:
   (a) Compared the reasonableness of estimated growth rate with historical data, economic and external industry forecast information;
   (b) Compared discount rate assumptions with respect to cash generating units' capital cost and similar return on assets; and
   (c) Checked the parameters of valuation model and the setting of calculation formula.
D. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(5) for details of inventory valuation. As at December 31, 2019, the Group's inventories and allowance for inventory valuation losses were NT$46,779,421 thousand and NT$984,229 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. For aged inventories and individually determined as obsolete inventories, the net realisable value is determined based on historical experience of inventory usage and sales discount. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are many, and the identification of obsolete and pwc 資誠

damaged inventory and its net realisable value are subject to management's judgement, we consider the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;
B. Obtained an understanding of the Group's nature of business and industry and assessed whether the provision policies and procedures were applied reasonably and consistently in all the periods; and
C. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, and tested relevant parameters, including the original data for sales and purchases and obtained supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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 "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. 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.

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

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

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Group to cease to continue as a going concern.
E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 the consolidated financial statements of the current period 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.

Juanlu, Man Yu

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 15, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated 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.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,106,631	3	$ 3,335,181	4
1120	Financial assets at fair value through other comprehensive income - current	6(2)	404,806	-	24,350	-
1170	Accounts receivable, net	6(3)	44,665,508	44	36,127,336	39
1200	Other receivables	6(3)(4)	1,734,068	2	2,089,219	2
130X	Inventories	6(5)	45,795,192	45	46,875,420	50
1410	Prepayments		411,090	1	342,572	-
1470	Other current assets	6(1) and 8	42,021	-	89,438	-
11XX	**Total current assets**		96,159,316	95	88,883,516	95
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	265,779	-	521,477	-
1550	Investments accounted for using equity method	6(6)	156,858	-	246,346	-
1600	Property, plant and equipment	6(7)	1,010,410	1	995,294	1
1755	Right-of-use assets	6(8)	848,855	1	-	-
1760	Investment property - net	6(9)	104,128	-	104,942	-
1780	Intangible assets	6(10)	1,883,859	2	1,878,609	2
1840	Deferred income tax assets	6(30)	752,760	1	660,027	1
1900	Other non-current assets	6(11)	185,271	-	534,597	1
15XX	**Total non-current assets**		5,207,920	5	4,941,292	5
1XXX	**Total assets**		$ 101,367,236	100	$ 93,824,808	100

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12)	$ 25,995,988	26	$ 26,112,763	28
2110	Short-term notes and bills payable	6(13)	463,840	-	1,828,513	2
2120	Financial liabilities at fair value through profit or loss - current	6(14)	26,118	-	3,994	-
2130	Contract liabilities - current	6(24)	195,597	-	118,246	-
2170	Accounts payable		45,689,544	45	37,997,769	40
2200	Other payables	6(15)	1,803,941	2	1,722,862	2
2230	Current income tax liabilities		644,397	1	639,616	1
2280	Lease liabilities - current		146,154	-	-	-
2320	Long-term liabilities, current portion	6(16)(17)	120,080	-	1,937,468	2
2365	Refund liabilities - current	6(24)	552,019	1	879,111	1
2399	Other current liabilities		44,635	-	43,961	-
21XX	**Total current liabilities**		75,682,313	75	71,284,303	76
	Non-current liabilities					
2530	Bonds payable	6(16)	1,124,091	1	-	-
2540	Long-term loans	6(17)	-	-	122,860	-
2570	Deferred income tax liabilities	6(30)	519,569	1	465,646	1
2580	Lease liabilities - non-current		426,419	-	-	-
2600	Other non-current liabilities	6(18)	135,708	-	144,411	-
25XX	**Total non-current liabilities**		2,205,787	2	732,917	1
2XXX	**Total liabilities**		77,888,100	77	72,017,220	77
	Equity attributable to owners of parent					
	Share capital	6(19)				
3110	Share capital - common stock		5,903,358	6	5,551,889	6
3130	Certificates of entitlement to new shares from convertible bonds		11,011	-	24,217	-
	Capital surplus	6(20)				
3200	Capital surplus		9,531,836	9	8,773,382	9
	Retained earnings	6(21)				
3310	Legal reserve		2,019,788	2	1,741,965	2
3320	Special reserve		143,568	-	109,102	-
3350	Unappropriated retained earnings		6,659,975	7	5,749,889	6
	Other equity interest	6(22)				
3400	Other equity interest		(791,142)	(1)	(143,568)	-
31XX	**Equity attributable to owners of the parent**		23,478,394	23	21,806,876	23
36XX	**Non-controlling interest**	6(23)	742	-	712	-
3XXX	**Total equity**		23,479,136	23	21,807,588	23
	Commitments and contingent liabilities	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 101,367,236	100	$ 93,824,808	100

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(24)	$ 335,187,151	100	$ 273,416,485	100
5000	**Operating costs**	6(5)	(324,386,746)	(97)	(262,771,537)	(96)
5900	**Net operating margin**		10,800,405	3	10,644,948	4
	Operating expenses	6(28)				
6100	Selling expenses		(4,149,755)	(1)	(4,017,488)	(2)
6200	General and administrative expenses		(987,816)	-	(946,308)	-
6300	Research and development expenses		(407,103)	-	(367,592)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(2,501)	-	(59,845)	-
6000	**Total operating expenses**		(5,547,175)	(1)	(5,391,233)	(2)
6900	**Operating profit**		5,253,230	2	5,253,715	2
	Non-operating income and expenses					
7010	Other income	6(25)	73,500	-	67,535	-
7020	Other gains and losses	6(26)	21,257	-	101,904	-
7050	Finance costs	6(27)	(1,953,119)	(1)	(1,698,684)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(85,783)	-	(103,660)	-
7000	**Total non-operating income and expenses**		(1,944,145)	(1)	(1,632,905)	(1)
7900	**Profit before income tax**		3,309,085	1	3,620,810	1
7950	Income tax expense	6(30)	(777,838)	-	(842,295)	-
8200	**Profit for the year**		$ 2,531,247	1	$ 2,778,515	1

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(18)	($ 10,286)	-	($ 6,446)	-
8316	Unrealised gain (loss) on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)(23)	207,749	-	(317,172)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	2,057	-	1,661	-
8310	**Other comprehensive income (loss) that will not be reclassified to profit or loss**		199,520	-	(321,957)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(22)(23)	(753,219)	-	590,295	-
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(6)	(1,406)	-	(5,941)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)	(13,087)	-	(1,395)	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		(767,712)	-	582,959	-
8300	**Total other comprehensive (loss) income for the year**		($ 568,192)	-	$ 261,002	-
8500	**Total comprehensive income for the year**		$ 1,963,055	1	$ 3,039,517	1
	Profit attributable to:					
8610	Owners of the parent		$ 2,530,940	1	$ 2,778,229	1
8620	Non-controlling interest		307	-	286	-
			$ 2,531,247	1	$ 2,778,515	1
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,962,768	1	$ 3,039,224	1
8720	Non-controlling interest		287	-	293	-
			$ 1,963,055	1	$ 3,039,517	1
	Earnings per share (in dollars)	6(31)				
9750	**Basic earnings per share**		$ 4.32		$ 5.02	
9850	**Diluted earnings per share**		$ 4.18		$ 4.71	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share capital			Retained earnings			Other equity interest					
	Notes	Share capital - common stock	Certificates of bond-to-stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2018													
Balance at January 1, 2018		$ 5,522,227	$ 392	$ 8,660,739	$ 1,489,975	$ -	$ 4,516,703	($ 975,052)	$ -	$ 865,950	$ 20,080,934	$ 634	$ 20,081,568
Effects of retrospective application		-	-	-	-	-	(75,668)	-	843,629	(865,950)	(97,989)	-	(97,989)
Adjusted balance at January 1, 2018		5,522,227	392	8,660,739	1,489,975	-	4,441,035	(975,052)	843,629	-	19,982,945	634	19,983,579
Consolidated net income		-	-	-	-	-	2,778,229	-	-	-	2,778,229	286	2,778,515
Other comprehensive income (loss)	6(22)	-	-	-	-	-	(4,785)	582,952	(317,172)	-	260,995	7	261,002
Total comprehensive income (loss)		-	-	-	-	-	2,773,444	582,952	(317,172)	-	3,039,224	293	3,039,517
Appropriations of 2017 earnings:	6(21)												
Legal reserve		-	-	-	251,990	-	(251,990)	-	-	-	-	-	-
Special reserve		-	-	-	-	109,102	(109,102)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,381,423)	-	-	-	(1,381,423)	-	(1,381,423)
Conversion of convertible bonds	6(19)(20)	29,662	23,825	112,643	-	-	-	-	-	-	166,130	-	166,130
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	277,925	-	(277,925)	-	-	-	-
Balance at December 31, 2018		$ 5,551,889	$24,217	$ 8,773,382	$ 1,741,965	$ 109,102	$ 5,749,889	($ 392,100)	$ 248,532	$ -	$ 21,806,876	$ 712	$ 21,807,588
2019													
Balance at January 1, 2019		$ 5,551,889	$24,217	$ 8,773,382	$ 1,741,965	$ 109,102	$ 5,749,889	($ 392,100)	$ 248,532	$ -	$ 21,806,876	$ 712	$ 21,807,588
Consolidated net income		-	-	-	-	-	2,530,940	-	-	-	2,530,940	307	2,531,247
Other comprehensive income (loss)	6(22)	-	-	-	-	-	(8,229)	(767,694)	207,751	-	(568,172)	(20)	(568,192)
Total comprehensive income (loss)		-	-	-	-	-	2,522,711	(767,694)	207,751	-	1,962,768	287	1,963,055
Appropriations of 2018 earnings:	6(21)												
Legal reserve		-	-	-	277,823	-	(277,823)	-	-	-	-	-	-
Special reserve		-	-	-	-	34,466	(34,466)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,387,967)	-	-	-	(1,387,967)	-	(1,387,967)
Due to recognition of equity component of convertible bonds issued	6(20)	-	-	37,762	-	-	-	-	-	-	37,762	-	37,762
Conversion of convertible bonds	6(19)(20)	351,469	(13,206)	720,614	-	-	-	-	-	-	1,058,877	-	1,058,877
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	-	(257)	(257)
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	-	87,631	-	(87,631)	-	-	-	-
Changes in ownership interests in subsidiaries	6(20)	-	-	78	-	-	-	-	-	-	78	-	78
Balance at December 31, 2019		$ 5,903,358	$11,011	$ 9,531,836	$ 2,019,788	$ 143,568	$ 6,659,975	($ 1,159,794)	$ 368,652	$ -	$ 23,478,394	$ 742	$ 23,479,136

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,309,085	$ 3,620,810
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	287,610	83,271
Amortisation	6(28)	9,776	10,642
Impairment loss determined in accordance with IFRS 9	12(2)	2,501	59,845
Net loss (income) on financial liabilities at fair value through profit or loss	6(26)	9,982	(80,128)
Share of loss of associates and joint ventures accounted for using equity method	6(6)	85,783	103,660
Loss on disposal of property, plant and equipment, net	6(26)	285	838
Impairment loss	6(26)	3,811	-
Interest expense	6(27)	1,036,861	902,649
Interest income	6(25)	(21,500)	(13,232)
Dividend income	6(25)	(5,977)	(17,634)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(9,660,226)	(2,483,886)
Other receivables		332,388	(703,121)
Inventories		115,385	(12,660,421)
Prepayments		(57,545)	30,863
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		12,154	76,352
Contract liabilities		74,386	(10,553)
Accounts payable		9,357,292	12,189,354
Other payables		23,965	193,667
Other current liabilities (including refund liabilities)		(325,880)	(16,418)
Accrued pension liabilities		(20,869)	(180)
Cash inflow generated from operations		4,569,267	1,286,378
Interest received		21,500	13,232
Dividends received		5,977	17,634
Interest paid		(1,045,436)	(862,978)
Income taxes paid		(684,002)	(673,951)
Net cash flows from (used in) operating activities		2,867,306	(219,685)

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 20,000)	($ 31,601)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	92,212	305,528
Decrease in other financial assets		47,220	382,482
Acquisition of property, plant and equipment	6(34)	(110,030)	(168,353)
Proceeds from disposal of property, plant and equipment		488	1,495
Acquisition of intangible assets	6(10)	(23,585)	(3,262)
Net cash payments for business combination	6(32)	(15,396)	(191,729)
Decrease (increase) in other non-current assets		3,932	(73,602)
Acquisition of right-of-use assets		(17,227)	-
Net cash flows (used in) from investing activities		(42,386)	220,958
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(35)	(11,581)	2,495,603
(Decrease) increase in short-term notes and bills payable	6(35)	(1,374,671)	318,426
Payments of long-term loans	6(35)	(865,160)	(750,000)
Proceeds from issuing bonds	6(35)	1,195,000	-
Repayments of bonds	6(35)	(49,900)	-
(Decrease) increase in other non-current liabilities		(1,547)	55,220
Changes in non-controlling interest	6(23)	(257)	(215)
Payment of lease liabilities	6(35)	(156,509)	-
Cash dividends paid	6(21)	(1,387,967)	(1,381,423)
Net cash flows (used in) from financing activities		(2,652,592)	737,611
Effect of exchange rate changes		(400,878)	308,222
Net (decrease) increase in cash and cash equivalents		(228,550)	1,047,106
Cash and cash equivalents at beginning of year		3,335,181	2,288,075
Cash and cash equivalents at end of year		$ 3,106,631	$ 3,335,181

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, expect as otherwise indicated)

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 15, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $950,016, increased 'lease liability' by $682,856 and decreased long-term prepaid rents by $267,160 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period is less than one year and will end before December 31, 2019 as short-term leases and accordingly, rent expense of $23,168 was recognised for the year ended December 31, 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.2% to 8.5%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 780,213
Less: Short-term leases	(26,540)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	753,673
Incremental borrowing interest rate at the date of initial application	1.2%~8.5%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 682,856

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100	100	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100	100	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100	100	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100	100	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100	100	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100	100	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100	100	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100	100	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100	100	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100	100	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100	100	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100	100	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100	100	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100	100	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100	100	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100	100	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100	-	(a)
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100	100	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100	100	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100	100	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100	100	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100	100	

(a) WT Microelectronics India Private Limited is a newly established subsidiary in August 2019.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets (liabilities) at fair value through profit or loss</u>

A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorised as financial labilities held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group’s operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.

B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(19) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

(20) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(23) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(28) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

A. The Group is primarily responsible for the provision of goods or services;

B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 1,531	$ 5,922
Checking accounts and demand deposits	3,105,100	3,329,259
	$ 3,106,631	$ 3,335,181

A. The Group transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2019 and 2018, the time deposits with maturity date over 3 months of $39,109 and $39,459, respectively, are recorded as 'other current assets'.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Equity instruments	$ 404,806	$ 24,350
Non-current items:		
Equity instruments	$ 265,779	$ 521,477

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. Aiming to satisfy its operating capital needs and due to the liquidation of investees, the Group sold $92,212 and $305,528 of listed and unlisted shares at fair value which resulted in a cumulative gain of $87,631 and $277,925 on disposal during the years ended December 31, 2019 and 2018, respectively.

C. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the years ended December 31, 2019 and 2018. Please refer to Note 6(25) for details of dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held for the years ended December 31, 2019 and 2018.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2019 and 2018.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 1,774,036	$ 1,898,859
Accounts receivable	43,172,327	34,665,485
Less: Allowance for uncollectible accounts	(280,855)	(437,008)
Notes and accounts receivable, net	44,665,508	36,127,336
Overdue receivables	975,343	845,997
Less: Allowance for uncollectible accounts	(975,343)	(845,997)
Overdue receivables, net (shown as 'other non-current assets')	-	-
	$ 44,665,508	$ 36,127,336

A. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $33,513,690.

B. Transferred financial assets that are derecognised in their entirety

(a) As of December 31, 2019 and 2018, the Group had outstanding discounted notes receivable amounting to $1,475,639 and $914,373, respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

(b) The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	December 31, 2019	December 31, 2018
Accounts receivable transferred (Amount derecognised)	$ 36,854,586	$ 45,740,462
Amount advanced	$ 36,248,848	$ 44,738,105
Amount retained	$ 605,738	$ 1,002,357

i. The above amounts retained are shown as 'other receivables'. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

ii. As of December 31, 2019 and 2018, the interest rates for amounts advanced ranged between 1.2%~3.97% and 1.3270%~4.0698%, respectively.

iii. As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring were $81,356,704 and $78,873,368, respectively.

iv. As of December 31, 2019 and 2018, the Group has issued a promissory note of $156,259,104 and $125,690,581, respectively, as performance guarantee against any business dispute.

v. Please refer to Note 6(27) for information on financing charges on accounts receivable factoring for the years ended December 31, 2019 and 2018.

C. Transferred financial assets that are not derecognised in their entirety

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

As of December 31, 2019 and 2018, the total limits of the accounts receivable factoring agreement with recourse were $750,500 and $0, respectively. The Group has no accounts receivable that are financed and amount advanced.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

F. As of December 31, 2019 and 2018, the Group's accounts receivable that are expected to be factored were classified as financial assets at fair value through other comprehensive income in the amounts of $15,046,030 and $6,783,760, respectively, and recorded as 'accounts receivable'.

G. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Other receivables

	December 31, 2019	December 31, 2018
VAT refund receivables	$ 866,889	$ 824,680
Amounts retained for accounts receivable factoring	605,738	1,002,357
Others	261,441	262,182
	$ 1,734,068	$ 2,089,219

(5) Inventories

	December 31, 2019	December 31, 2018
Merchandise inventory	$ 46,779,421	$ 47,835,404
Less: Allowance for inventory obsolescence and market value decline	(984,229)	(959,984)
	$ 45,795,192	$ 46,875,420

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of inventories sold	$ 324,349,224	$ 262,718,911
Loss on (gain on reversal of) decline in market value	37,155	(121,256)
Loss on physical inventory	367	261
Loss on disposal of inventory	-	173,621
	$ 324,386,746	$ 262,771,537

The Group reversed a previous inventory write-down as certain inventory which were previously provided with allowance were subsequently disposed during the year ended December 31, 2018.

(6) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
JCD Optical (Cayman) Co., Ltd.	$ 62,571	$ 86,146
Qwave Technology Co., Ltd.	34,934	40,305
Rainbow Star Group Limited	30,077	31,406
Joy Capital Ltd.	29,276	30,795
Supreme Mega Ltd.	-	57,694
	$ 156,858	$ 246,346

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Years ended December 31,	
	2019	2018
Loss for the year from continuing operations	($ 85,783)	($ 103,660)
Other comprehensive loss, net of tax	(1,406)	(5,941)
Total comprehensive loss	($ 87,189)	($ 109,601)

(7) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
At January 1, 2019					
Cost	$ 225,459	$ 634,212	$ 360,629	$ 296,940	$ 1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294
2019					
Opening net book amount	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294
Additions	-	-	55,816	70,001	125,817
Disposals	-	-	(770)	(3)	(773)
Reclassifications	-	24,663	-	-	24,663
Depreciation charge	-	(14,631)	(54,672)	(46,015)	(115,318)
Net exchange differences	-	(16,278)	(2,909)	(86)	(19,273)
Closing net book amount	$ 225,459	$ 529,574	$ 139,859	$ 115,518	$ 1,010,410
At December 31, 2019					
Cost	$ 225,459	$ 641,873	$ 389,030	$ 354,743	$ 1,611,105
Accumulated depreciation and impairment	-	(112,299)	(249,171)	(239,225)	(600,695)
	$ 225,459	$ 529,574	$ 139,859	$ 115,518	$ 1,010,410

	Land	Buildings	Office equipment	Others	Total
At January 1, 2018					
Cost	$ 225,459	$ 496,075	$ 339,669	$ 230,936	$ 1,292,139
Accumulated depreciation and impairment	-	(86,466)	(228,327)	(191,381)	(506,174)
	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965
2018					
Opening net book amount	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965
Additions	-	-	78,325	78,555	156,880
Disposals	-	-	(778)	(1,555)	(2,333)
Reclassifications	-	148,399	-	-	148,399
Depreciation charge	-	(12,107)	(45,625)	(24,725)	(82,457)
Net exchange differences	-	(10,081)	(870)	(209)	(11,160)
Closing net book amount	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294
At December 31, 2018					
Cost	$ 225,459	$ 634,212	$ 360,629	$ 296,940	$ 1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294

A. Office and other equipments at December 31, 2019 and 2018 were for the Group's own use and not for lease.

B. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with the non-related parties in the first quarter of 2016. The agreements are purchases of property located in Beijing Municipality for business use for a contract price of $225,976 (RMB 48,732 thousand) which has been settled by the Group. In the first and fourth quarter of 2018, the transfer of the properties had been completed and accepted. As of December 31, 2018, the amounts of $148,399 and $77,577 were recorded as 'property, plant, equipment – buildings and structures' and 'other non-current assets-long-term prepaid rents', respectively.

(8) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 284,991	$ 5,466
Buildings and structures	563,864	166,012
	$ 848,855	$ 171,478

C. For the years ended December 31, 2019, the additions to right-of-use assets was $134,292.

D. The information on income or expense accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 19,793
Expense on short-term lease contracts	97,140

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $273,442.

(9) Investment property

	Land	Buildings	Total
At January 1, 2019			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	$ 82,839	$ 22,103	$ 104,942
2019			
Opening net book amount	$ 82,839	$ 22,103	$ 104,942
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 21,289	$ 104,128
At December 31, 2019			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,810)	(17,707)
	$ 82,839	$ 21,289	$ 104,128

	Land	Buildings	Total
At January 1, 2018			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,182)	(16,079)
	$ 82,839	$ 22,917	$ 105,756
2018			
Opening net book amount	$ 82,839	$ 22,917	$ 105,756
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 22,103	$ 104,942
At December 31, 2018			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	$ 82,839	$ 22,103	$ 104,942

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2019	2018
Rental income from the lease of the investment property	$ 2,602	$ 2,597
Direct operating expenses arising from the investment property that generated rental income during the period	$ 814	$ 814

B. The fair values of the investment property held by the Group as at December 31, 2019 and 2018 were $136,824 and $130,104, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(10) Intangible assets

	Goodwill	Software	Total
At January 1, 2019			
Cost	$ 2,038,130	$ 78,901	$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	$ 1,867,821	$ 10,788	$ 1,878,609
2019			
Opening net book amount	$ 1,867,821	$ 10,788	$ 1,878,609
Additions	15,396	23,585	38,981
Amortisation charge (shown as 'general and administrative expenses')	-	(9,776)	(9,776)
Impairment loss	(3,811)	-	(3,811)
Net exchange differences	(20,144)	-	(20,144)
Closing net book amount	$ 1,859,262	$ 24,597	$ 1,883,859
At December 31, 2019			
Cost	$ 2,033,381	$ 102,488	$ 2,135,869
Accumulated amortisation and impairment	(174,119)	(77,891)	(252,010)
	$ 1,859,262	$ 24,597	$ 1,883,859

	Goodwill	Software	Total
At January 1, 2018			
Cost	$ 1,819,565	$ 75,639	$ 1,895,204
Accumulated amortisation and impairment	(170,309)	(61,213)	(231,522)
	$ 1,649,256	$ 14,426	$ 1,663,682
2018			
Opening net book amount	$ 1,649,256	$ 14,426	$ 1,663,682
Additions	191,729	3,262	194,991
Amortisation charge (shown as 'general and administrative expenses')	-	(6,900)	(6,900)
Net exchange differences	26,836	-	26,836
Closing net book amount	$ 1,867,821	$ 10,788	$ 1,878,609
At December 31, 2018			
Cost	$ 2,038,130	$ 78,901	$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	$ 1,867,821	$ 10,788	$ 1,878,609

A. The information on intangible assets acquired through business combinations for the years ended December 31, 2019, and 2018 is provided in Note 6(32).

B. The Group evaluated the impairment of recoverable amount of goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 5%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, the Group recognised impairment loss of goodwill of $3,811 and $0 for the years ended December 31, 2019 and 2018, respectively.

(11) Other non-current assets

	December 31, 2019	December 31, 2018
Refundable deposit	$ 113,703	$ 134,775
Net defined benefit asset	4,792	1,365
Prepayment for machinery	1,609	25,899
Long-term prepaid rents	-	267,160
Prepayment for property	-	53,393
Others	65,167	52,005
	$ 185,271	$ 534,597

The abovementioned long-term prepaid rents comprise land use right contracts signed by the Group for the use of the land in China with a term of 20 to 50 years. The Group recognised rental expense of $3,742 for the year ended December 31, 2019 and recorded it as 'long-term prepaid rents-amortisation expense'. The long-term prepaid rents were transferred to right-of-use assets on January 1, 2019 in accordance with IFRS 16.

(12) Short-term borrowings

	December 31, 2019	December 31, 2018
Credit loans	$ 25,995,988	$ 25,997,237
Secured borrowings	-	115,526
	$ 25,995,988	$ 26,112,763
Interest rates per annum	0.9177%~4.002%	0.9114%~4.7894%

Please refer to Note 8 for details of the collaterals of abovementioned secured borrowings.

(13) Short-term notes and bills payable

	December 31, 2019	December 31, 2018
Commercial paper	$ 465,000	$ 1,830,000
Amortisation of discount	(1,160)	(1,487)
	$ 463,840	$ 1,828,513
Coupon rate	0.61%~0.89%	0.57%~0.89%

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(14) Financial liabilities at fair value through profit or loss

Liabilities	December 31, 2019	December 31, 2018
Current items:		
Derivatives	$ 26,118	$ 3,994

A. The Group recognised net (loss) gain of ($9,982) and $77,103 (shown as ‘other gains and losses’) on financial liabilities at fair value through profit or loss for the years ended December 31, 2019 and 2018, respectively.

B. The non-hedging derivative instruments and contract information are as follows:

	December 31, 2019		
Derivative financial liabilities	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	147,017	2019.11.8~2020.3.27

	December 31, 2018		
Derivative financial liabilities	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	18,000	2018.11.28~2019.3.28
Cross currency swap contracts	USD (BUY)	10,000	2018.12.26~2019.2.26

(a) The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For interest rate, to hedge the exchange risk of floating rate, the Company exchanged fixed rate of NTD for floating rate of USD. However, these cross currency swap contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

(15) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonuses payable	$ 843,313	$ 819,302
Accrued VAT payable	287,603	220,901
Finance cost payable	120,739	176,467
Costs to provide technical services payable	76,335	73,454
Freight payable	60,622	59,439
Insurance expense payable	47,284	68,311
Others	368,045	304,988
	$ 1,803,941	$ 1,722,862

(16) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	$ 1,158,600	$ 1,074,200
Less: Discount on bonds payable	(34,509)	(7,452)
	1,124,091	1,066,748
Less: Bonds payable, current portion	-	(1,066,748)
	$ 1,124,091	$ -

A. Sixth unsecured convertible bonds of 2019

(a) The terms of the sixth domestic unsecured convertible bonds issued by the Company are as follows:

i. The Company issued $1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT$40 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2019, the conversion price was NT$37.6 per share.

iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

(b) Regarding the issuance of convertible bonds, the equity conversion options amounting to $37,762 were separated from the liability component and were recognised in 'capital surplus share options' amounting to $36,459 as of December 31, 2019 , in accordance with IAS 32.

(c) As of December 31, 2019, the convertible bonds converted into 1,101 thousand common shares totaled $41,400 at par value.

B. Fifth unsecured convertible bonds of 2016

(a) The terms of the fifth domestic unsecured convertible bonds issued by the Company are as follows:

i. The Company issued $1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On July 7, 2019, the conversion price was NT$31.3 per share.

iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be resold or re-issued; the convertible rights attached to the bonds are also extinguished.

(b) Regarding the issuance of convertible bonds, the equity conversion options amounting to $0 were separated from the liability component and were recognised in 'capital surplus-share options' as of December 31, 2019, in accordance with IAS 32.

(c) As of December 31, 2019, the convertible bonds converted into 45,316 thousand common shares totaled $1,450,100 at par value.

(d) The abovementioned bonds matured on July 7, 2019. The Company repaid $49,900 for the unconverted bonds in accordance with the contract, and transferred $1,875 from 'capital surplus-share options' to 'capital surplus-share premium'.

C. For the years ended December 31, 2019 and 2018, the amortised discount of bonds payable was $8,882 and $16,351, respectively.

(17) Long-term loans

Type of loans	Period	December 31, 2019 Credit line	Amount
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	$ 120,080	$ 120,080
Less: Long-term borrowings, current portion			(120,080)
			$ -
Range of interest rates			2.8013%

Type of loans	Period	December 31, 2018 Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	$ 1,500,000	$ 625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	368,580	368,580
		$ 1,868,580	993,580
Less: Long-term borrowings, current portion			(870,720)
			$ 122,860
Range of interest rates			1.05%~3.7526%

A. Under the Bank SinoPac borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the loans. The Group's financial ratios in the consolidated financial statements for the years ended December 31, 2019 and 2018 met the financial commitment of abovementioned borrowing contract.

B. The Group's liquidity risk is provided in Note 12.

(18) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 194,236	$ 197,029
Fair value of plan assets	(134,015)	(126,437)
Net defined benefit liability	$ 60,221	$ 70,592
Shown as 'other non-current assets'	$ 4,792	$ 1,365
Shown as 'other non-current liabilities'	$ 65,013	$ 71,957

(c) Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 197,029	$ 126,437	$ 70,592
Current service cost	1,176	-	1,176
Interest (expense) income	2,010	1,286	724
	200,215	127,723	72,492
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,365	(4,365)
Change in financial assumptions	6,648	-	6,648
Experience adjustments	8,003	-	8,003
	14,651	4,365	10,286
Pension fund contribution	-	4,333	(4,333)
Paid pension	(20,630)	(2,406)	(18,224)
Balance at December 31	$ 194,236	$ 134,015	$ 60,221

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 186,079	$ 119,705	$ 66,374
Current service cost	1,153	-	1,153
Interest (expense) income	2,444	1,514	930
	189,676	121,219	68,457
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,294	(3,294)
Change in financial assumptions	6,703	-	6,703
Experience adjustments	3,037	-	3,037
	9,740	3,294	6,446
Pension fund contribution	-	4,311	(4,311)
Paid pension	(2,387)	(2,387)	-
Balance at December 31	$ 197,029	$ 126,437	$ 70,592

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being approved by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund, hence, the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	0.7%~0.8%	0.9%~1.2%
Future salary increases	3%	3%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 5,699)	$ 5,919	$ 5,288	($ 5,131)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 5,785)	$ 6,013	$ 5,389	($ 5,225)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to $3,949.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 11~15 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were $194,431 and $179,621, respectively.

(19) Share capital

A. As of December 31, 2019, the Company's authorised capital was $10,000,000, consisting of 1 billion shares of ordinary stock (including 90 million shares reserved for employee stock options), and the paid-in capital was $ 5,903,358 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2019	2018
	Shares (in thousands)	Shares (in thousands)
At January 1	557,611	552,262
Shares converted from bonds	33,826	5,349
At December 31	591,437	557,611

C. For the fourth quarter of 2019, convertible bonds amounting to $41,400 in total par value were requested for conversion into 1,101 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2019.

(20) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further to the above considerations, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Changes in capital surplus are as follows:

	2019				
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	$ 8,684,119	$ 40,742	$ 40,362	$ 8,159	$ 8,773,382
Issuance of convertible bonds	-	-	37,762	-	37,762
Expiration of convertible bonds	1,875	-	(1,875)	-	-
Conversion of convertible bonds	760,404	-	(39,790)	-	720,614
Changes in subsidiaries accounted for using equity method	-	-	-	78	78
At December 31	$ 9,446,398	$ 40,742	$ 36,459	$ 8,237	$ 9,531,836

	2018				
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates	Total
At January 1	$ 8,565,163	$ 40,742	$ 46,675	$ 8,159	$ 8,660,739
Conversion of convertible bonds	118,956	-	(6,313)	-	112,643
At December 31	$ 8,684,119	$ 40,742	$ 40,362	$ 8,159	$ 8,773,382

B. For the information relating to capital surplus-share options, please refer to Note 6(16).

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The following are the earnings appropriation for the year ended December 31, 2019 proposed by the Board of Directors in February 2020, and the earnings appropriation for the year ended December 31, 2018 resolved in the stockholders' meeting held in June 2019:

	Years ended December 31,			
	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 261,034		$ 277,823	
Special reserve	647,573		34,466	
Cash dividends	1,645,111	$ 2.776	1,387,967	$ 2.36
	$ 2,553,718		$ 1,700,256	

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(29).

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	$ 248,532	($ 392,100)	($ 143,568)
Valuation adjustment on equity instruments	207,751	-	207,751
Disposals reclassified as retained earnings	(87,631)	-	(87,631)
Currency translation differences:			
– Group	-	(766,288)	(766,288)
– Associates	-	(1,406)	(1,406)
At December 31, 2019	$ 368,652	($ 1,159,794)	($ 791,142)

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	$ 865,950	($ 975,052)	(109,102)
Effects on retrospective application of IFRS 9	(22,321)	-	(22,321)
Valuation adjustment on equity instruments	(317,172)	-	(317,172)
Disposals reclassified as retained earnings	(277,925)	-	(277,925)
Currency translation differences:			
– Group	-	588,893	588,893
– Associates	-	(5,941)	(5,941)
At December 31, 2018	$ 248,532	($ 392,100)	($ 143,568)

(23) Non-controlling interests

	2019	2018
At January 1	$ 712	$ 634
Share attributable to non-controlling interest:		
Profit for the year	307	286
Exchange differences on translation of foreign financial statements	(18)	3
Unrealised financial assets at fair value through other comprehensive income	(2)	4
Cash dividends paid	(257)	(215)
At December 31	$ 742	$ 712

(24) Operating revenue

	Years ended December 31,	
Contract revenue	2019	2018
Sale of electronic components	$ 335,018,378	$ 273,277,356
Other operating revenue	168,773	139,129
	$ 335,187,151	$ 273,416,485

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time. Please refer to Note 14(4) for revenue information by category.

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2019	December 31, 2018	January 1, 2018
Refund liabilities-sales discounts and returns	$ 552,019	$ 879,111	$ 1,218,886
Contract liabilities-advance sales receipts	$ 195,597	$ 118,246	$ 102,535

(25) Other income

	Years ended December 31,	
	2019	2018
Interest income	$ 21,500	$ 13,232
Rent revenue	2,602	2,746
Dividend income	5,977	17,634
Other income	43,421	33,923
	$ 73,500	$ 67,535

(26) Other gains and losses

	Years ended December 31,	
	2019	2018
Foreign exchange gain, net	$ 73,043	$ 25,435
(Loss) gain on financial assets and liabilities at fair value through profit or loss - derivatives	(9,982)	77,103
Gain on financial assets at fair value through profit or loss – equity instruments	-	3,025
Loss on disposal of property, plant and equipment	(285)	(838)
Impairment loss	(3,811)	-
Other losses	(37,708)	(2,821)
	$ 21,257	$ 101,904

(27) Finance costs

	Years ended December 31, 2019	2018
Interest expense:		
Bank borrowings	$ 998,188	$ 875,228
Others	38,673	27,421
Financing charges on accounts receivable factoring	886,252	766,080
Other finance costs	30,006	29,955
	$ 1,953,119	$ 1,698,684

(28) Expenses by nature

	Years ended December 31, 2019	2018
Employee benefit expense	$ 3,412,629	$ 3,223,705
Depreciation	287,610	83,271
Amortisation	9,776	10,642
Total (shown as 'Operating expenses')	$ 3,710,015	$ 3,317,618

(29) Employee benefit expense

	Years ended December 31, 2019	2018
Employee benefit expense		
Wages and salaries	$ 2,781,103	$ 2,653,598
Labour and health insurance fees	110,941	101,830
Pension costs	196,331	181,704
Other personnel expenses	324,254	286,573
Total (shown as 'Operating expenses')	$ 3,412,629	$ 3,223,705

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $29,300 and $31,900, respectively; while directors' and supervisors' remuneration was accrued at $10,500 and $12,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2019 and 2018.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2018.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profit for the year	$ 777,880	$ 743,718
Tax on undistributed surplus earnings	63,772	77,023
Prior year income tax overestimation	(15,299)	(1,036)
Total current tax	826,353	819,705
Deferred tax:		
Origination and reversal of temporary differences	(52,092)	37,894
Impact of change in tax rate	-	(14,135)
Effect of exchange rate	3,577	(1,169)
Total deferred tax	(48,515)	22,590
Income tax expense	$ 777,838	$ 842,295

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2019	Years ended December 31, 2018
Remeasurements of defined benefit obligations	$ 2,057	$ 1,289
Currency translation differences	(13,087)	(3,951)
Impact of change in tax rate	-	2,928
	($ 11,030)	$ 266

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 1,023,150	$ 1,127,328
Effects from items disallowed by tax regulation	(283,505)	(348,159)
Additional tax on undistributed earnings	63,772	77,023
Prior year income tax overestimation	(15,299)	(1,036)
Effects from Alternative Minimum Tax	-	1,274
Effect from changes in tax regulation	-	(14,135)
Others	(10,280)	-
Income tax expense	$ 777,838	$ 842,295

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

Year ended December 31, 2019	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:					
Allowance for sales returns and discounts	$ 299,800	$ 29,431	$ -	$ -	$ 329,231
Allowance for doubtful accounts	120,674	(32,207)	-	(1,415)	87,052
Reserve for inventory obsolescence and market price decline	193,478	5,513	-	(50)	198,941
Others	46,075	102,329	(10,081)	(787)	137,536
	$ 660,027	$ 105,066	($ 10,081)	($ 2,252)	$ 752,760
-Deferred tax liabilities:					
Foreign investment income using equity method	($ 451,828)	($ 66,179)	$ -	$ -	($ 518,007)
Others	(13,818)	13,205	(949)	-	(1,562)
	($ 465,646)	($ 52,974)	($ 949)	$ -	($ 519,569)

	Year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:					
Allowance for sales returns and discounts	$ 218,469	$ 81,331	$ -	$ -	$ 299,800
Allowance for doubtful accounts	113,359	4,268	-	3,047	120,674
Reserve for inventory obsolescence and market price decline	185,703	7,781	-	(6)	193,478
Others	50,371	(4,524)	369	(141)	46,075
	$ 567,902	$ 88,856	$ 369	$ 2,900	$ 660,027
-Deferred tax liabilities:					
Foreign investment income using equity method	($ 350,908)	($ 100,920)	$ -	$ -	($ 451,828)
Others	(2,016)	(11,695)	(103)	(4)	(13,818)
	($ 352,924)	($ 112,615)	($ 103)	($ 4)	($ 465,646)

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 16,622	$ 14,469

E. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences of unrecognised deferred tax liabilities were $3,773,058 and $3,640,781, respectively.

F. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% and the additional applicable income tax rate imposed on unappropriated earnings was reduced from 10% to 5% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(31) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$ 2,530,940	585,359	$ 4.32
Diluted earnings per share			
Profit attributable to shareholders of the parent	2,530,940	585,359	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	8,882	21,354	
Employees' compensation	-	871	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,539,822	607,584	$ 4.18

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$ 2,778,229	553,629	$ 5.02
Diluted earnings per share			
Profit attributable to shareholders of the parent	2,778,229	553,629	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	16,351	38,315	
Employees' compensation	-	831	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,794,580	592,775	$ 4.71

(32) Business combination

The following business combinations occurred during the years ended December 31, 2019 and 2018:

A. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:

(a) In December 2018, the Company signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounting to $15,396. The record date of the transfer was July 1, 2019.

(b) Green Chips Co, Ltd. is a distributor of electronic components with the Korea region as its primary market.

(c) As of December 31, 2019, actual payment of $15,396 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.

(d) Information on the acquisition of the distribution business is as follows:

	December 31, 2019
Purchase consideration - cash	$ 15,396
Less: Fair value of the identifiable net assets	-
Goodwill	$ 15,396

As of December 31, 2019, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

B. The Company acquired part of the electronic component distribution business of STC Corporation.

(a) In June 2018, the Company signed a business transfer agreement with STC Corporation, acquiring part of the company's electronic component distribution business in cash. The record date of the transfer was October 5, 2018.

(b) If the gross profit exceeds US$4 million during the period from July 2018 to June 2020, 70% of excess amounts shall be paid in cash as additional consideration as stipulated in a contingent consideration agreement, which were included in considerations payable amounting to $169,920 (US$5,500 thousand) under the business transfer agreement. After the Company's assessment, there was no possibility that the specified contingent events may occur based on the cost of distribution business and accordingly, there was no adjustment to the actual consideration paid.

(c) STC Corporation is a distributor of electronic components with the Korea region as its primary market.

(d) Information on the acquisition of the distribution business is as follows:

	December 31, 2018
Purchase consideration - cash	$ 169,290
Less: Fair value of the identifiable net assets	-
Goodwill	$ 169,290

C. The subsidiary, Morrihan International Corp., acquired a part of the electronic component distribution business of Promate Electronic Co., Ltd. ("Promate Electronic").

(a) On October 31, 2017, the Group signed a business transfer agreement with Promate Electronic, acquiring a part of the company's electronic component distribution business for $17,500. The record date of the transfer was February 1, 2018.

(b) Promate Electronic is a distributor of electronic components with the greater China region as its primary market.

(c) As of December 31, 2018, actual payment of $22,439 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.

(d) Information on the acquisition of the distribution business is as follows:

	December 31, 2018
Purchase consideration - cash	$ 22,439
Less: Fair value of the identifiable net assets	-
Goodwill	$ 22,439

(33) Operating leases

Prior to 2019

The Group leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expenses of $282,327 for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 195,184
Later than one year but not later than five years	430,026
Later than five years	155,003
	$ 780,213

(34) Supplemental cash flow information

Cash paid for property, plant and equipment:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 125,817	$ 156,880
Add: Opening balance of payable on equipment	13,396	10,216
Ending balance of prepayments for business facilities	1,609	25,899
Less: Ending balance of payable on equipment	(4,879)	(13,396)
Opening balance of prepayments for business facilities	(25,899)	(11,247)
Effect of foreign exchange	(14)	1
Cash paid during the period	$ 110,030	$ 168,353

(35) Changes in liabilities from financing activities

	Short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2019	$ 27,106,343	$ 1,828,513	$ 1,066,748	$ -	$ 30,001,604
Changes in cash flow from financing activities	(876,741)	(1,374,671)	1,145,100	(156,509)	(1,262,821)
Impact of changes in foreign exchange rate	(113,534)	-	-	(48,684)	(162,218)
Interest expense from amortisation	-	9,998	8,882	-	18,880
Conversion of convertible bonds	-	-	(1,058,877)	-	(1,058,877)
Issuance of convertible bonds attributable to equity	-	-	(37,762)	-	(37,762)
IFRS 16 conversion recognition	-	-	-	682,856	682,856
Increase in lease liability for the year	-	-	-	94,910	94,910
At December 31, 2019	$ 26,116,068	$ 463,840	$ 1,124,091	$ 572,573	$ 28,276,572

	Short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable	Lease liability	Liabilities from financing activities-gross
At January 1, 2018	$ 25,345,092	$ 1,499,017	$ 1,216,527	$ -	$ 28,060,636
Changes in cash flow from financing activities	1,745,603	318,426	-	-	2,064,029
Impact of changes in foreign exchange rate	15,648	-	-	-	15,648
Interest expense from amortisation	-	11,070	16,351	-	27,421
Conversion of convertible bonds	-	-	(166,130)	-	(166,130)
At December 31, 2018	$ 27,106,343	$ 1,828,513	$ 1,066,748	$ -	$ 30,001,604

Note 1: Including long-term loans - current portion

Note 2: Shown as ‘long-term liabilities - current portion’

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
JCD Optical Corporation Limited	Indirectly reinvested associate of the Company
Qwave Technology Co., Ltd.	Indirectly reinvested associate of the Company
BRILLNICS (HK) LIMITED	Other related party

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales of goods:		
- Associates	$ 1,662	$ 1,646

The collection terms with related parties were 90 days and the products were categorised and priced after referring to the inventory cost, market and other transaction conditions.

B. Purchases

	Years ended December 31,	
	2019	2018
Purchases of goods:		
- Associates	$ 45,461	$ -

The credit term to related parties is 90 days and the purchase prices were categorised and priced after referring to market prices and other transaction conditions.

C. Loans to others

Loans to related parties:

(a) Outstanding balance (shown as 'other receivables'):

	December 31, 2019	December 31, 2018
- Other related party		
BRILLNICS (HK) LIMITED	$ 150,100	$ 153,575

For the years ended December 31, 2019 and 2018, the interest rate was 2.6% for the abovementioned loans to related parties. Please refer to table 1 for details of loans to subsidiaries.

(b) Interest income

	Years ended December 31,	
	2019	2018
- Other related party		
BRILLNICS (HK) LIMITED	$ 4,086	$ 315

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 75,756	$ 86,339
Post-employment benefits	269	713
	$ 76,025	$ 87,052

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

		Book value	
Pledged asset	Purpose	December 31, 2019	December 31, 2018
Other current assets:			
Bank deposits	Bank loan	$ -	$ 36,244
	Guarantee for customs duties	-	10,756
	Bid bond	2,912	2,979
		$ 2,912	$ 49,979

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	December 31, 2019	December 31, 2018
Outstanding letters of credit	$ 5,887,913	$ 4,876,723

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	December 31, 2019	December 31, 2018
Customs duties guarantee	$ 36,000	$ 86,022

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On February 15, 2020, the Board of Directors resolved the following issues and presented them to be discussed at the shareholder's meeting:

(a) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to choose the most appropriate time for the issuance of the preferred shares through private placement, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

(b) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors to decide the most appropriate time for the issuance of the common shares through private placement, which should be processed in one time or several times starting from the date resolved at the shareholders' meeting.

(c) Propose to the shareholders at the shareholders' meeting to authorise the Board of Directors, depending on the market situation and the capital needs of the Company, to raise capital by the issuance of common shares through book building, which should be processed in one time or several times within a year starting from the date resolved at the shareholders' meeting.

The total number of shares mentioned above is limited to 170,000,000 shares with a par value of $10 (in dollars) per share.

B. On February 15, 2020, the Board of Directors resolved the issuance of employee restricted stocks of 3,000,000 common shares with a par value of $10 (in dollars) per share, amounting to $30,000,000. The issuance should be reported to the regulatory authority in one time or several times within a year starting from the date resolved at the shareholders' meeting. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

C. Details of the appropriation of 2019 earnings as resolved by the Board of Directors on February 15, 2020 are provided in Note 6(21).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2019 and 2018, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income (Note 1)	$ 15,716,615	$ 7,329,587
Financial assets at amortised cost (Note 2)	34,615,901	34,857,414
	$ 50,332,516	$ 42,187,001

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss (Note 3)	$ 26,118	$ 3,994
Financial liabilities at amortised cost (Note 4)	75,210,425	69,736,721
	$ 75,236,543	$ 69,740,715
Lease liability	$ 572,573	$ -

Note 1: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 2: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 3: Held for trading.

Note 4: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk is provided in Note 6(14).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(14).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB and KRW). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$1,492,889	30.02	$ 44,816,528	1%	$ 448,165
USD:RMB	2,817	6.988	84,566	1%	846
USD:KRW	15,044	1,160.9	451,621	1%	4,516
Non-monetary items					
USD:NTD	14,485	30.02	450,033		
Foreign operations					
USD:NTD	371,464	30.02	11,140,819		
Financial liabilities					
Monetary items					
USD:NTD	1,658,340	30.02	49,783,367	1%	497,834
USD:RMB	55,531	6.988	1,667,041	1%	16,670
USD:KRW	30,354	1,160.9	911,227	1%	9,112

	December 31, 2018				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 1,164,613	30.715	$ 35,771,088	1%	$ 357,711
USD:RMB	1,482	6.854	45,520	1%	455
USD:KRW	17,482	1,121.4	536,960	1%	5,370
Non-monetary items					
USD:NTD	10,888	30.715	334,412		
Foreign operations					
USD:NTD	350,189	30.715	10,745,345		
Financial liabilities					
Monetary items					
USD:NTD	1,178,851	30.715	36,208,408	1%	362,084
USD:RMB	25,113	6.854	771,346	1%	7,713
USD:KRW	25,053	1,121.4	769,503	1%	7,695

v. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to $73,043 and $25,435, respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2019 and 2018, other components of equity would have increased/decreased by $6,706 and $5,458, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in US Dollars.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by $68,774 and $72,377, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.

iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2019	December 31, 2018
Not past due	$ 38,307,182	$ 30,510,181
Up to 90 days	6,286,811	5,596,250
91 to 180 days	127,451	130,296
Over 180 days	1,200,262	1,173,614
	$ 45,921,706	$ 37,410,341

(i) The above ageing analysis was based on days past due.

(ii) Abovementioned notes receivable are not past due.

v. The Group assesses the expected credit losses of its accounts receivable as follows:

(i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;

(ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;

(iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.

(iv) As of December 31, 2019 and 2018, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

December 31, 2019	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	96.46%	0.03%	0.07%~30.66%	2.37%~28.83%	
Total book value	$ 1,164,498	$ 25,130,125	$ 17,710,013	$ 1,917,070	$ 45,921,706
Loss allowance	$ 1,123,235	$ 7,539	$ 46,626	$ 78,798	$ 1,256,198

December 31, 2018	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	90.86%	0.05%	0.03%~17.48%	4.44%~41.41%	
Total book value	$ 1,241,425	$ 20,121,594	$ 14,504,225	$ 1,543,097	$ 37,410,341
Loss allowance	$ 1,127,919	$ 10,061	$ 29,506	$ 115,519	$ 1,283,005

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	Years ended December 31,	
	2019	2018
At January 1	$ 1,283,005	$ 1,101,896
Adjustments under new standards	-	97,989
Provision for impairment	2,501	59,845
Effect of exchange rate changes	(29,308)	23,275
At December 31	$ 1,256,198	$ 1,283,005

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(17)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable, external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2019

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Lease liability	$ 161,486	$ 362,161	$ 99,893	$ 623,540
Bonds payable	-	1,158,600	-	1,158,600
	$ 161,486	$ 1,520,761	$ 99,893	$ 1,782,140

December 31, 2018

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	$ 870,720	$ 122,860	$ -	$ 993,580

Except for the abovementioned, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2019 and 2018, all derivative financial liabilities of the Group are due in one year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. This includes the fair value of all investments in publicly listed companies.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes the fair value of all investments in derivative financial instruments.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 614,602	$ -	$ 55,983	$ 670,585
Accounts receivable that are expected to be factored	-	15,046,030	-	15,046,030
	$ 614,602	$15,046,030	$ 55,983	$15,716,615
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivative instrument	$ -	$ 26,118	$ -	$ 26,118

December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 505,969	$ -	$ 39,858	$ 545,827
Accounts receivable that are expected to be factored	-	6,783,760	-	6,783,760
	$ 505,969	$ 6,783,760	$ 39,858	$ 7,329,587
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivative instrument	$ -	$ 3,994	$ -	$ 3,994

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	Equity securities	
	2019	2018
At January 1	$ 39,858	$ -
Adjustment on transfer of IFRS 9	-	9,143
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,167)	-
Acquired in the year	20,000	29,105
Sold in the year	(14)	-
Effect of exchange rate changes	(694)	1,610
At December 31	$ 55,983	$ 39,858

For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 55,983	Discounted cash flow method	Weighted average cost of capital	8.22% ~12.51%	The higher the weighted average cost of capital, discount for lack of control and discout for lack of control, the lower the fair value; the higher the long-term revenue growth rate, the higher the fair value
			Long-term revenue growth rate	6.1% ~219.3%	
			Discount for lack of marketability	5%~8%	
			Discount for lack of control	10%	

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 39,858	Latest transaction price without active market	N/A	N/A	N/A

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(14).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2019	2018
Revenue from external customers	$ 314,746,393	$ 254,093,172
Segment income	$ 3,307,785	$ 3,528,551
Segment assets (Note)	$ -	$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

Operating revenue	Years ended December 31, 2019	2018
Total reported segment revenue	$ 314,746,393	$ 254,093,173
Other operating segment revenue	20,440,758	19,323,312
Total operating revenue	$ 335,187,151	$ 273,416,485

Profit and loss	Years ended December 31, 2019	2018
Income of reported segment	$ 3,307,785	$ 3,528,551
Income of other operating segments	1,300	92,259
Income before income tax from continuing operations	$ 3,309,085	$ 3,620,810

(4) Revenue information by category

	2019		2018	
	Amount	%	Amount	%
Analog IC	$ 147,114,736	44	$ 116,014,167	42
Application-Specific IC	25,690,676	8	22,263,146	8
IC Memory	22,462,363	7	22,241,044	8
Microcontroller Unit	15,639,322	5	11,592,734	5
Discrete Devices	15,482,514	5	15,942,063	6
Chipset	14,396,743	4	14,649,833	5
Others	94,400,797	27	70,713,498	26
	$ 335,187,151	100	$ 273,416,485	100

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2019 and 2018 were as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 53,772,373	$ 2,373,684	$ 43,657,362	$ 1,995,490
China	246,354,535	981,869	199,202,138	468,114
Others	35,060,243	558,475	30,556,985	518,776
	$ 335,187,151	$ 3,914,028	$ 273,416,485	$ 2,982,380

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,	
	2019	2018
Customer A	$ 44,784,697	$ 30,098,836

WT Microelectronics Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	$ 920,620	$ 859,240	$ -	1.20%	Short-term financing	$ -	Business Operation	$ -	-	$ -	$ 2,347,839	$ 9,391,358	Note 3
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Other receivables - related parties	Y	316,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,347,839	9,391,358	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	63,200	60,040	60,040	3.00%	Short-term financing	-	Business Operation	-	-	-	108,673	108,673	Note 2
2	WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	305,000	150,100	150,100	2.60%	Short-term financing	-	Business Operation	-	-	-	2,786,834	3,715,778	Note 4
2	WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,011,200	990,660	622,315	2.7%~3%	Short-term financing	-	Business Operation	-	-	-	9,289,446	9,289,446	Note 2
3	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	304,483	291,194	291,194	1.9%~2.55%	Short-term financing	-	Business Operation	-	-	-	510,945	510,945	Note 2
4	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	88,480	84,056	84,056	2.60%	Short-term financing	-	Business Operation	-	-	-	91,670	91,670	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary’s net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary’s net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company’s net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company’s net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2019	Outstanding endorsement / guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	$ 18,782,715	$ 350,000	$ 350,000	$ 350,000	-	1.49%	$ 18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	18,782,715	262,000	12,000	-	-	0.05%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	18,782,715	158,000	150,100	32,996	-	0.64%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	18,782,715	632,000	600,400	-	-	2.56%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	18,782,715	2,212,000	2,101,400	1,200,800	-	8.95%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	18,782,715	66,360	63,042	40,268	-	0.27%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	18,782,715	1,580	1,501	127	-	0.01%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	18,782,715	316,000	300,200	-	-	1.28%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	18,782,715	252,800	240,160	-	-	1.02%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	18,782,715	3,767,391	3,767,391	1,878,340	-	16.05%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	18,782,715	1,591,254	1,457,572	515,544	-	6.21%	18,782,715	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	18,782,715	189,600	180,120	156,775	-	0.77%	18,782,715	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	18,782,715	1,422,000	1,350,900	1,323,518	-	5.75%	18,782,715	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,078,298	10,000	2,000	2,000	-	0.15%	1,078,298	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,941,797	15,000	15,000	15,000	-	0.41%	2,941,797	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	867,298	82,478	-	-	-	0.00%	867,298	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,237,454	313,800	-	-	-	0.00%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,237,454	214,800	150,100	-	-	9.70%	1,237,454	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,237,454	9,500	9,500	9,500	-	0.61%	1,237,454	N	N	N	Note 4
5	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	213,735	9,500	9,500	9,500	-	3.56%	213,735	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:
(1) Having business relationship.
(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries

Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2019				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	$ 5,963	2.19	$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.26	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.70	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	20,000	9.62	20,000	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	19,533	0.42	19,533	
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	222,664	404,806	0.66	404,806	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	30,020	0.79	30,020	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	50,122	2.30	50,122	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	111,578	1.79	111,578	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	28,563	0.46	28,563	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current

WT Microelectronics Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	$ 83,065,305	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	$ 8,054,975	26	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	20,690,270	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	3,077,588	10	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,620,566	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	530,071	2	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	8,088,993	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	371,743	1	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	6,901,770	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,201,400	7	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	4,819,787	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	346,267	1	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	3,284,388	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,451	2	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	560,316	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	558,299	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	249,013	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,465	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	172,345	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	5,129,261	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,662,027	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(300,845)	1	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	1,233,157	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(224,533)	1	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	1,103,568	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(319,939)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	$ 2,093,552	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	$ 135,534	6	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	1,835,287	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	502,711	23	
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,067,979	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	345,476	16	
NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	149,134	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	74,131	3	
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	5,477,930	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,569,326	19	
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	2,884,842	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	564,095	7	
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	255,557	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	96,910	1	
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	177,045	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,957	1	
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	126,174	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	53,268	1	
MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	122,443	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	438,541	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	62,273	5	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	Sales	160,637	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	34,269	3	
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	759,104	7	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	47,938	3	
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	379,276	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	246,934	17	
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	1,059,138	31	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	5,555	1	
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	138,716	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	$ 6,425,892	74	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	$ 1,583,873	98	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,287,061	26	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	35,641	2	
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	205,775	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	169,159	35	

WT Microelectronics Co., Ltd. and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	$ 8,054,975	11.35	$ -		$ 4,935,912	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	3,077,588	10.46	-		3,077,588	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	2,201,400	4.61	-		1,840,442	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	564,451	6.76	465,955	Subsequent collection	38,035	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	530,071	32.53	-		530,071	-
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	371,743	43.52	-		371,743	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	346,267	7.75	-		346,267	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	502,711	5.96	-		324,694	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	345,476	3.08	-		14	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	300,845	9.97	-		187,274	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	135,534	8.64	-		135,534	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,569,326	3.56	-		674,110	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	564,095	8.89	-		341,290	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	224,533	8.43	2,384	Subsequent collection	16,164	-
MAXTEK TECHNOLOGY CO., LTD.	WT MICROELECTRONICS CO., LTD.	Affiliates	319,939	6.90	-		91,865	-
MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	246,934	3.05	-		-	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,583,873	5.43	-		635,949	-
LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	Affiliates	169,159	2.43	264	Subsequent collection	-	

Note: For information on loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction (Note 4)			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets (Note 5)
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	$ 83,065,305	(Note 3)	25
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	8,054,975	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Sales	20,690,270	(Note 3)	6
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	1	Accounts receivable	3,077,588	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	8,620,566	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Accounts receivable	530,071	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	8,088,993	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Accounts receivable	371,743	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	6,901,770	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	2,201,400	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	4,819,787	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	346,267	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Sales	3,284,388	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Accounts receivable	564,451	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	560,316	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	558,299	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	1	Sales	249,013	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Sales	172,345	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	5,129,261	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	2,662,027	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	300,845	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	1,233,157	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Accounts payable	224,533	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Purchases	1,103,568	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Accounts payable	319,939	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	2,093,552	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	135,534	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	1,835,287	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Accounts receivable	502,711	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	1,067,979	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	345,476	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	149,134	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	5,477,930	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,569,326	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	2,884,842	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Accounts receivable	564,095	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	255,557	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	177,045	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	3	Sales	126,174	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	TECHMOSA INTERNATIONAL INC.	3	Sales	122,443	(Note 3)	-

WT Microelectronics Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4) General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets (Note 5)
3	TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	3	Sales	$ 438,541	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	3	Sales	160,637	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	759,104	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Sales	379,276	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	246,934	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	1,059,138	(Note 3)	-
6	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	3	Sales	138,716	(Note 3)	-
7	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	6,425,892	(Note 3)	2
7	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	1,583,873	(Note 3)	2
7	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	2,287,061	(Note 3)	1
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Sales	205,775	(Note 3)	-
8	LACEWOOD INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	169,159	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated 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: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: 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.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	$ 3,644,147	$ 3,644,147	115,323,691	99.65	$ 9,242,563	$ 499,085	$ 499,085	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,917,116	148,412	148,412	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,677,188	490,769	490,769	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	740,094	15,714	15,714	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	823,012	340,734	340,428	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service industry	41,856	41,856	500,000	100.00	10,406	902	902	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	66,488	1,145	1,145	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	(1)	(1)	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	219,997	667	667	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	1,793,119	206,002	206,002	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,871,222	1,871,222	62,332,506	100.00	3,532,144	401,529	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	631,049	631,049	21,020,957	100.00	1,116,303	132,088	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	90,063	90,063	3,000,100	100.00	74,955	(7,471)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	150	150	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount: Balance at December 31, 2019	Initial investment amount: Balance at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	$ 150,100	$ 150,100	5,000,000	100.00	$ 2,134,983	$ 134	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	71,265	71,265	5,869,093	23.07	62,571	(88,627)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	549,726	549,726	14,917,000	47.98	-	(178,675)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,024	36,024	1,200,000	17.65	29,276	(4,611)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,020	30,020	18,924	24.65	30,077	(2,602)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Hong Kong	Sale of electronic components	376,080	376,080	12,527,632	100.00	1,914,911	198,032	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,336	9,336	311,000	100.00	35,897	619	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	689,692	689,692	22,974,430	100.00	708,513	3,478	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,855	3,855	1,000,000	100.00	108,673	1,894	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	796,234	796,234	110,000,000	100.00	764,137	197,522	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,375	33,375	1,500,000	100.00	273,609	40,997	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,652	3,652	500,000	100.00	3,709	(18)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	546,571	546,571	3,800,000	95.47	838,189	94,469	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	$ 3,003	$ 3,003	300,000	100.00	$ 3,141	($ 774)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	3,007	-	700,000	100.00	3,151	147	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	499,085	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	9,973	(27)	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	44,798	184	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	52,071	52,071	180,472	4.53	27,993	94,469	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	23,544	23,544	53,505	100.00	183,372	8,848	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	249,236	42,351	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,473	364	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	267,169	68,672	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	559,417	4,609	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	19,954	69,840	6,000	100.00	20,359	(122)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	40,000	40,000	4,000,000	40.00	34,934	(12,674)	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,130	23,130	6,000,000	100.00	17,900	(146)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investment in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	$ 9,006	2	$ 9,006	$ -	$ -	$ 9,006	$ 630	100.00	$ 630	$ 35,818	$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	686,190	2	631,240	-	-	631,240	3,478	100.00	3,478	708,407	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,055,203	2	574,883	-	-	574,883	35,154	100.00	35,154	1,084,123	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	39,927	3	30,020	-	-	30,020	184	100.00	184	44,798	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	123,082	2	19,934	-	-	19,934	(73,395)	23.07	(16,932)	41,390	-	Note 8

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
WT MICROELECTRONICS CO., LTD.	$ 1,265,083	$ 1,979,953	$ 14,087,482

Note 1: The investment methods are classified into the following three categories:

(1) Directly investing in Mainland China.

(2) Through investing in companies in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.