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Yungtay Engineering Co., Ltd.
2019 Annual Report

(Translation)

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None

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2019 Business Report

Dear Shareholdings,

In 2019, the Company's consolidated revenue was NT$13,718,000,000, a decrease of 7.7% compared to the previous year; the profit attributable to owners of parent was about NT$940,000,000 and the earnings per share was NT$2.3.

In terms of research and development, the cost of research and development in 2019 was about NT$474,000,000, a decrease of 1.31% compared to the previous year. With regard to the research and development, the Company has mainly focused on the expansion and development of small-machine-room and machine-room-less elevators, and the high-speed elevator whole unit testing, escalator/elevator system development and new control system development have all been completed. This year, the Company will continue to develop permanent magnet hosts designed for high-speed elevators, to develop the public transit electric walkway, to develop IoT, and to develop elevator intelligent function, etc.

As for the trend in 2019, due to the impact of the international economic and trade conflict, slow growth of global economy and the cyclical issue and structural contradiction at the internal market of China, the pressure of economic downturn continued to increase. Nevertheless, Yungtay China adjusted the business strategy and achieved remarkable outcome. In 2019, the Company received orders for 18,323 units of machines with a growth of 50%. Looking into the year of 2020, due to the outbreak of COVID-19 in a global scale, the market demand slows down significantly. Nonetheless, the Chinese government still emphasizes that they will not use the real estate as a short-term means to simulate the economy, and they will adhere to the principle of "no flipping properties"; therefore, it is expected that the continuous growth of the real estate market is expected to be limited. Yungtay China will adopt a proactive approach to face the market, and the sales target is set for 26,000 units with the expectation to gradually regain the market share lost previously. With regard to Yungtay Taiwan, the overall real estate market in 2019 indicated the trend of stable growth in both market price and quantity. Nevertheless, despite that both the total number of new projects and sales volume of constructors increased, the overall sales rate decreased such that the profit margins of constructors were limited and the overall transaction outcome performance was affected. This year, due to the impact of epidemic, all research institutes have downgraded the growth rate expectation value, and the real estate market is certainly to be affected. In view of the above, the annual sales quantity for this year is expected to be approximately 15,409 units.

We still keep on adhering to the business philosophy that Technology is NO.1, Quality is NO.1 and Service is NO.1, as well as devoting ourselves to the implementation of green energy technology for the purpose of creating a new generation of environmental protection. We also sustain to be on duty for the whole year to handle the condition of elevator all day long, provide the best repair and maintenance service with smart mobile device, strive to develop replacement market for old elevators and further maximize profits for all shareholders. Lastly, may I extend our most heartfelt thanks to each shareholder and may you continue to spur us on.

Wishing you all the best of health and success in your endeavors.

Chairman : Tso Ming Hsu　　President : Shang Yu Tsai　　Chief Accountant : Wei Chuan Wang

(I) 2019 Business Results

(1) Business Plan Implementation Results

The consolidated operating revenue for 2019 was NT$13.718 billion, which was a decrease of approximately NT$1.141 billion compared to NT$14.859 billion in 2018. The profit attributable to owners of parent in 2019 was NT$940 million, which increase by approximately NT$265 million compared to NT$675 million in 2018.

(2) Implementation Status

Unit: NT$ million

Items	2018 Performance	2019 Performance	Rate of Growth
Operating Revenues	14,859	13,718	-7.68%
Operating Income	976	850	-12.91%
Profits Attributable to Owners of Parent	675	940	39.26%

(3) Financial Revenue/Expenditure and Profitability Analysis

1. Financial Revenue and Expenditure

   (1) 2019 Financial Revenue: NT$68,394 thousand.

   (2) 2019 Financial Expenditure: NT$963 thousand.

2. Profitability Analysis

Items	2018	2019
Return on Total Assets (%)	3.21%	4.53%
Return on Equity (%)	6.30%	8.56%
Net Margin (%)	4.92%	7.14%
Earnings Per Share (NTD)	1.65	2.30

(4) R&D Status

1. The annual R&D expenditure for 2019 was NT$474,324 thousand; which was 1% more than that of 2018 years and accounted for 3% of the revenue.
2. See “Technology and R&D Status” in Pages 63~66.

(II) 2020 Business Plan Summary

(1) Operating Strategy

1. Restart of global planning, and with Vietnam as the center for expansion of the Southeast Asian market.
2. Continue effort in Taiwan market to achieve new highs for revenue and profit.
3. Active approach in gaining orders in China market, achieve break-even in a short period of time, regain the position of Top 10 in the worldwide ranking.
4. Strengthen innovation and increase added-value.
5. Strengthen the customer-oriented market orientation to ensure market maintenance.
6. Establish professional marketing headquarter in the region of China, such that while maintaining the current strategic customers, aggressively expand the participation in strategic purchase tender projects of large developers, quick response to tender demands of large customers and actively expand strategic customers.
7. Improve the direct sale proportion in the region of China, and increase the proportion from original 15% to 30%.
8. Aggressively expand the overseas market in the region of China, and for the next two years, plan the establishment of branches in the Southeast Asian region of Vietnam, Cambodia and Indonesia etc. to seek new revenue growth points.
9. The market outlook for old elevator renovation and old building with installation of elevators in the region of China is remarkable. Renovation solution and additional installation plans with greater market competitiveness are established to achieve sales growth.
10. In the region of China, the traditional sales model for elevators is improved by collaborating local distributors in the region and home elevator 5S experience stores are established throughout the country in order to service terminal customers nationwide. Home elevators are transforming toward the “B2C Sales” model.
11. Establish mutual benefit structure with distributors in the region of China, launch incentive system of greater benefit, and achieve specific cooperation method for a series of services including marketing, customer service, installation and maintenance with sales partners.
12. Commitment to the brand value of “safety”, “quality” and “service” in the region of China, construct sales matrix in multi-dimensions online and offline, thereby maximizing the broadcasting effect.

(2) Expected Sales and Rationales

Items	Expected Sales Volume	Basis
Elevators (Escalators)	15,409 units	The sales volume is estimated based on the existing installation contracts in 2020 that has not yet been shipped, the business climate, the market competition status, and the historical sales records.

(3) Important Production and Sales Policies

1. To segment the market and redefine and plan residential and commercial products. Smart features are emphasized for commercial elevators.
2. Parts development, certification and standardization complying with new international regulations and standards.
3. To satisfy the new market of additional elevator installation and home elevators, develop corresponding products and gain market share.
4. Streamline the processes, increase efficiencies, and reduce production costs.

5. Improve R&D and design capabilities, shorten development time, and master the market opportunities.
6. Expand the sales of new products such as machine-room-less, high-efficiency, and energy saving small machine-room elevators as well as new and high speed escalators.
7. Open up the old elevator dismantling market to improve its operating income.
8. The smart maintenance tools are adopted to improve the elevator operation quality and increase repair revenues.
9. The Mainland China division has developed elevator products that suit old buildings better, and such products are favorable to exploring keys to sales growth, such as shallow-pit technology and integrated erection.
10. For main competitors of tender projects in the region of China, further optimize the cost.
11. Launch the 3rd generation of wireless remote surveillance system in the region of China, complying with the latest standards of GB/T 24475 and 24476, and satisfy local regulatory requirements completely.
12. Develop standard Series, including P series of public transportation type of automatic escalator and automatic walkway in the region of China.
13. For the market of home elevators in the region of China, develop traction type shallow-pit home elevators and forced-drive home elevators.

(4) Future Company Development Strategy

1. Enhance sales team, expand sales channels.
2. Expand the market of elevator renovation for other brands' elevators, provide flexible solutions.
3. Seek public construction items of metro/subway and airport projects, and large commercial item construction solutions.
4. Actively invest in the development of corresponding products for the new market of additional elevator installation and home elevators, thereby gaining market opportunities.
5. Implement innovation, quality, technology, and quality services to enhance customer satisfaction.
6. Master core technologies, create differentiated products, and ensure price and quality competitiveness.
7. Seek sales talents in the region of China, and expand the market coverage.
8. Proactively explore large developers in Mainland China to seek strategic partnerships.
9. Strengthen the expansion of landmark projects, metro/subway projects, commercial escalators and government bidding projects in China.
10. Aggressive development in the market of renovation of old elevators and additional elevator installation for old buildings in the region of China.
11. Develop diverse sales methods in the region of China, establish home elevator 5S experience stores nationwide and implement the "B2C Sales" model in the segmented market.

(5) Impacts from the External Competition, Legal Environment, and Overall Business Environment

1. The impact of external competitive environment : In 2019, there were still trade conflicts between Taiwan and major foreign countries along with the factors of the declining of global economy and trade performance and weak international market demands such that the economic growth as affected. Nevertheless, under the impact of the transfer of orders and the effect of the return of Taiwanese manufacturers from China to Taiwan due to the trade conflict, the economic performance of Taiwan last

year (2019) exceeded expectation, and the overall economy indicated mild growth with stable performance. The last presidential election had little impact on the overall purchase of the real estate properties, and the annual real estate transaction volume indicated continuous recovery trend from the previous year (2018) and reached new high in recent years. In addition, relevant data and indicators have also indicated that constructors are still optimistic about the continuous recovery of the real estate market while numerous elevator business operators have shown aggressiveness in the market competition. To ensure the profit target, Yungtay continues to develop quality products and promote the reasonability of costs and expenditures. As for the region of China, the economy in China is expected to be affected by the epidemic of COVID-19 in a short term. Nonetheless, 2020 is the year for the end of the "13th five-year plan" to achieve a moderately well-off society in China, and real estate is the foundation for the economy in China, which is also a significant guarantee to stabilize the finance and GDP for the nation. In the second half of 2020, the economy in China is expected to rebound, and real estate will be the first to indicate such rebound. Furthermore, the restrictive purchase policy in various local markets are expected to be opened consecutively, and the implementation of second and third quarter system to simulate the real estate sector is promising. Yungtay (China) will continue to implement epidemic prevention works properly according to the requirements of the local government and will also stabilize the operating benefits with best effort in light of winning the competition in the second half of the year with the practical and aggressive business strategies.

2. Regulatory environment impacts : In recent years, the government of Taiwan has accelerated the promotion of urban renewal developments. Previously, previous year (2018), the"Urban Renewal Act Amendment Draft" has passed the third reading of the registration procedure, and presently, to encourage the reconstruction of hazardous and old buildings, the Ministry of the Interior has further amended the regulations for hazardous and old buildings this year (2020) in order to extend the schedule for providing "conditional" bulk incentive to hazardous and old buildings to May 9, 2025 (an extension of 5 years as the grace period). In addition, a scale incentive (greater reconstruction scale with greater bulk incentive) is newly added, and the dual incentive system for both schedule and scale is adopted, in light of increasing the incentive to apply for the reconstruction of hazardous and old buildings of greater number. This is expected to facilitate the increase of the market demand for elevators (replacements). As for the market in China, in 2019, with respect to elevator equipment, the government implemented the policies of "TSG 07-2019 Special Equipment Production and Installation Unit Permission Regulations", "TSG Z6001-2019 Special Equipment Operator Qualification Evaluation Regulations" and "TSG Z8001-2019 Special Equipment Non-destructive Inspector Qualification Evaluation Regulations" etc. Yungtay (China) has established new testing tower to seek the AI manufacturing qualification. In 2020, the industry of elevators is under new revolution, the State Administration for Market Regulation announces the "Notice of Elevator Quality Safety Tracking Information Platform Trial", and trials have been implemented in relevant areas. "Platform" provides a complete data link for the entire life cycle from the manufacturing, installation, use to scrap of elevators.

Yungtay (China) will be actively responding to the changes by improving product structure, making its products more competitive, and enhance the overall strength of Yungtay (China).

3. Impact to the overall business environment : According to the report (dated February 5, 2020) of the National Development Council, the trade conflict between the U.S. and China seems to be moderated, and the market in Taiwan continues to benefit from the increased production capacity in Taiwan along with the accelerated development and investment in 5G and semiconductor high-end manufacturing processes, all of such factors are beneficial to the increase of the domestic demand. The main economic institute also predicts that the economic growth in Taiwan this year will be between 2.0%~2.72% with continuous moderate growth. However, in view of the expansion of the epidemic of COVID-19 in China, the consumer behavior of the general public in a short term tends to be conservative, and some financial institutions have downgraded the economic growth outlook of our nation (Standard Chartered Bank and credit rating institutions have downgraded the GDP growth expectation in Taiwan to 1.9% at the beginning of March). Fortunately, Taiwan has learned from the epidemic experience against Severe Acute Respiratory Syndrome (SARS) in the past, and the epidemic of pneumonia this time is still within the controllable range such that Taiwan is not one of the main epidemic areas. Furthermore, in February this year (2020), the Legislative Yuan has passed the third reading of the "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens" in order to provide relief, subsidy or recovery measures to industries suffered from business difficulties due to the epidemic of pneumonia. Furthermore, according to the report (dated February 25, 2020) of Taiwan Institute of Economic Research, despite the impact of the epidemic of pneumonia and the general public's will to purchase real estate is reduced such that the current domestic real estate market indicates the condition of decreased trading volumes but stable price, nonetheless, after the epidemic mitigates, the real estate trading volume is expected to return to the normal level. Moreover, presently, the real estate market performance under pressure is still superior to the SARS period in the past; therefore, there are more than 40% of the real estate operators hold optimistic view about the future performance of the real estate market in the second half of the year. Presently, the epidemic of pneumonia has limited impact on the real estate market in Taiwan, and it is to be further monitored for subsequent assessment. In addition, the domestic market is at low interest rate, and the market has sufficient fund level. The fund flowing back Taiwan due to the return of Taiwanese business operators also supports the government's continuous optimization of the investment environment, leading fund to substantial investments, thereby accelerating Taiwanese business operators to move their production lines back to Taiwan, and the commercial, factory and industrial real estates continue to grow as a result of the return of Taiwanese business operators; consequently, the market demand for elevators is expected to grow. With regard to the market in China, in the first quarter of 2020, due to the impact of the epidemic of severe pneumonia, the entire China was under the alert state, and the normal productions of enterprises were affected, and the sectors of restaurants, catering, retail and tourism were severely affected. Due to such significant impact on the overall economy, the government of

China will succeed in the measures adopted in the stopping of the spread of the epidemic. In general, the economy in China in 2020 is expected to have an increasing trend. The production of the first quarter was suppressed, and GDP growth could be only 4% or even low. Nevertheless, it is expected that in the second quarter, it is able to recover to the normal level, and rebound growth is expected to occur in the third and fourth quarter. Among the industries, the real estate industry will be the first to demonstrate such growth since it is a significant guarantee to simulate the economic growth. Under such greater environment, the market of elevators in the region of China will also be simulated, and the overall demand for the elevator sector in China is expected to have promising growth.

II. Company Profile

(1) Date established: July 9, 1966

(2) Company History:

1966	● On July 9 the Company was established at No. 169, Sec. 2 Nanjing East Road, Taipei City under the name of "Yungtay Engineering Co., Ltd.", with a capital size of NT$6 million. ● Main cope of operation: Distribution of HITACHI elevators.
1968	● The factory in Xinzhuang was established in September and the company became the first to take care of design, manufacturing, installation, and care in the domestic elevator sector. ● The company accepted the investment of NT$ 2 million from Hitachi, Ltd. in November and the capital size was changed to NT$10 million.
1970	● The Company was relocated to No. 165-3, Sec. 2 Nanjing East Road in September.
1972	● Efforts were devoted to developing overseas markets for elevators; exportations began in March to Hong Kong and in June to Japan. ● To address the sudden increase in the production demand, the Taoyuan Plant was set up on Chunri Road in December and all the production of elevators was relocated to this new factory.
1973	● The capital size was changed to NT$ 20 million in June.
1976	● Partnership with Hitachi, Ltd. began in April on joint development of elevators for national housing projects.
1977	● The capital size was increased to NT$ 25 million in June.
1978	● Technical collaboration with Japan NIHON RADIATOR CO., LTD. began in January on the production and manufacturing of air-conditioners for automobiles. ● The capital size was increased to NT$40 million in July. ● Exportation of elevators to Singapore began in December.
1979	● The capital size was increased to NT$50 million in May and various types of machinery and equipment were added for the processing of elevator guideways.
1980	● Exportation of elevator guideways to Singapore began in April. ● The capital size was increased to NT$70 million in May and exportation to elevator servers to the Singapore bureau on national housing began in May. ● The Company became the only elevator business recognized by the Ministry of Economic Affairs in December as one of the "92 machinery processing plants of scale."
1981	● The capital size was increased to NT$105 million in August.
1982	● The capital size was increased to NT$147 million in September. ● The Zhongli factory was established in Guanyin Township of Taoyuan in October to produce automobile air-conditioners and their parts. ● The capital size was increased to NT$197 million in November and industrial robotic arms and powered cranes were added as part of the scope of operation.
1983	● The Company signed a contract with the Industrial Technology Research Institute under the Ministry of Economic Affairs in January to become one of the five manufacturers undertaking its technical transfer of robotic arms in the nation.

	● The capital size was increased to NT$236.4 million in November and initial public offering was approved.
1983	● The capital size was increased to NT$ 283.68 million in September.
	● The Engineering Department was relocated to the new building on Dunhua Road in order to enhance quality of after-sales service.
1985	● The first elevator research tower in Taiwan was completed in the Taoyuan Plant in March.
	● The capital size was increased to NT$ 340.416 thousand in December.
1986	● The main office was relocated to the new office building on Fuxing Road in May.
	● The capital size was increased to NT$ 374,457,600 in October.
1987	● The original plant in Zhongli was sold in July and a joint venture under the name of Taiwan Calsonic Co., Ltd. was established with Japan NIHON RADIATOR CO., LTD.
	● The capital size was increased to NT$ 411,903,360 in October.
1988	● The capital size was increased to NT$ 500 million in December.
1989	● The number of elevators ordered broke the threshold of 10,000 units in June.
	● The capital size was increased to NT$ 600 million in September and the Company was approved to be publicly traded by the FSC under the Ministry of Finance.
1990	● Land with an area of more than 5,000 pings (1 ping = 3.305785 m2) was purchased in August for expanding the existing Taoyuan Plant in August in order to enhance the throughput of elevators and to produce parking tower equipment.
	● The capital size was increased to NT$ 1 billion in September.
1991	● It was approved through the shareholders' meeting in April that the registered capital size of the Company would be NT$2 billion.
	● The capital size was increased in September, with the paid-in capital stock being NT$1,309 million.
1982	● The capital size was increased in July, with the paid-in capital stock being NT$1.72billion.
1993	● The capital size was increased to NT$2,163.7 million in June.
	● The investment in Mainland China through Hong Kong was approved in July by the Investment Review Committee under the Ministry of Economic Affairs.
	● Shanghai Yungtay Engineering Co., Ltd. was established and acquired its business operation license in September.
	● ISO9001 certification for quality assurance was approved in November.
1994	● The capital size was approved to be increased to NT$2,655.7 million in July.
1995	● It was approved through the shareholders' meeting in May that the registered capital size of the Company would be NT$4 billion.
	● The capital size was increased in July, with the paid-in capital stock being NT$3,071.5 million.
1996	● The capital size was increased in July, with the paid-in capital stock being NT$3,386.8 million
1997	● The capital size was increased in July, with the paid-in capital stock being NT$3.73 billion

1998 ● The capital size was increased in July, with the paid-in capital stock being NT$4,108.2 million.

● Yungtay-Hitachi Construction Machinery Co., Ltd. was established in September jointly with Hitachi Construction Machinery Co., Ltd.

1999 ● YK Engineering Co., Ltd. was established in February.

● ISO14001 certification for environmental management was approved in March.

● Evest Corporation was established in August.

2001 ● OHSAS18001 certification for environmental management was approved in December.

2003 ● The name of Shanghai Yungtay Engineering Co., Ltd. was changed in November to Shanghai Yungtay Elevator Equipment Co., Ltd.

2004 ● The name of YK Engineering Co., Ltd. was changed in June to GIO Automation Technology Co., Ltd.

2005 ● The re-invested Shanghai Yungtay Gie EM Co., Ltd. through the subsidiary Yung Shin Investment Ltd. was established in December.

2006 ● The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in February, with the paid-in capital stock being US$3,750 thousand.

2007 ● Shanghai Yungtay Elevator Equipment Co., Ltd. transferred its earnings to capital increase in October; the paid-in capital stock was US$56 million.

● The capital size of Shanghai Yungtay Gie EM Co., Ltd. was increased in October, with the paid-in capital stock being US$10million.

2008 ● Investment in Shang Ying Investment Co., Ltd. began in March and 20% of shares held in Yung Hung Ltd. by Hitachi, Ltd. were bought back.

● Yung Hung Ltd. bought back 6% of shares in Yung Hung Ltd. held by Hitachi Building Systems Co., Ltd. (HBS) in March and organized capital decrease.

● Shanghai Yungtay established its subsidiary Tianjin Yungtay Elevator Equipment Co., Ltd. in April.

● Shanghai Yungtay established its subsidiary Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in July.

2009 ● Shanghai Yungtay increased the capital size of Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd. in June, with the paid-in capital stock being RMB20 million.

● Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in December, with the paid-in capital stock being RMB 150 million.

2010 ● Shanghai Yungtay invested in Vietnam Yungtay Elevator Co., Ltd. in April.

● Shanghai Yungtay increased the capital size of Shanghai Yungtay Gie EM Co., Ltd. in November, with the paid-in capital stock being US$12.5 million

● The name of Shanghai Yungtay Gie EM Co., Ltd. was changed to Shanghai Gie EM Co., Ltd. in December.

2011 ● Tianjin Yungtay established its subsidiary Tianjin Yungtay Elevator Installation & Maintenance Co., Ltd. in March.

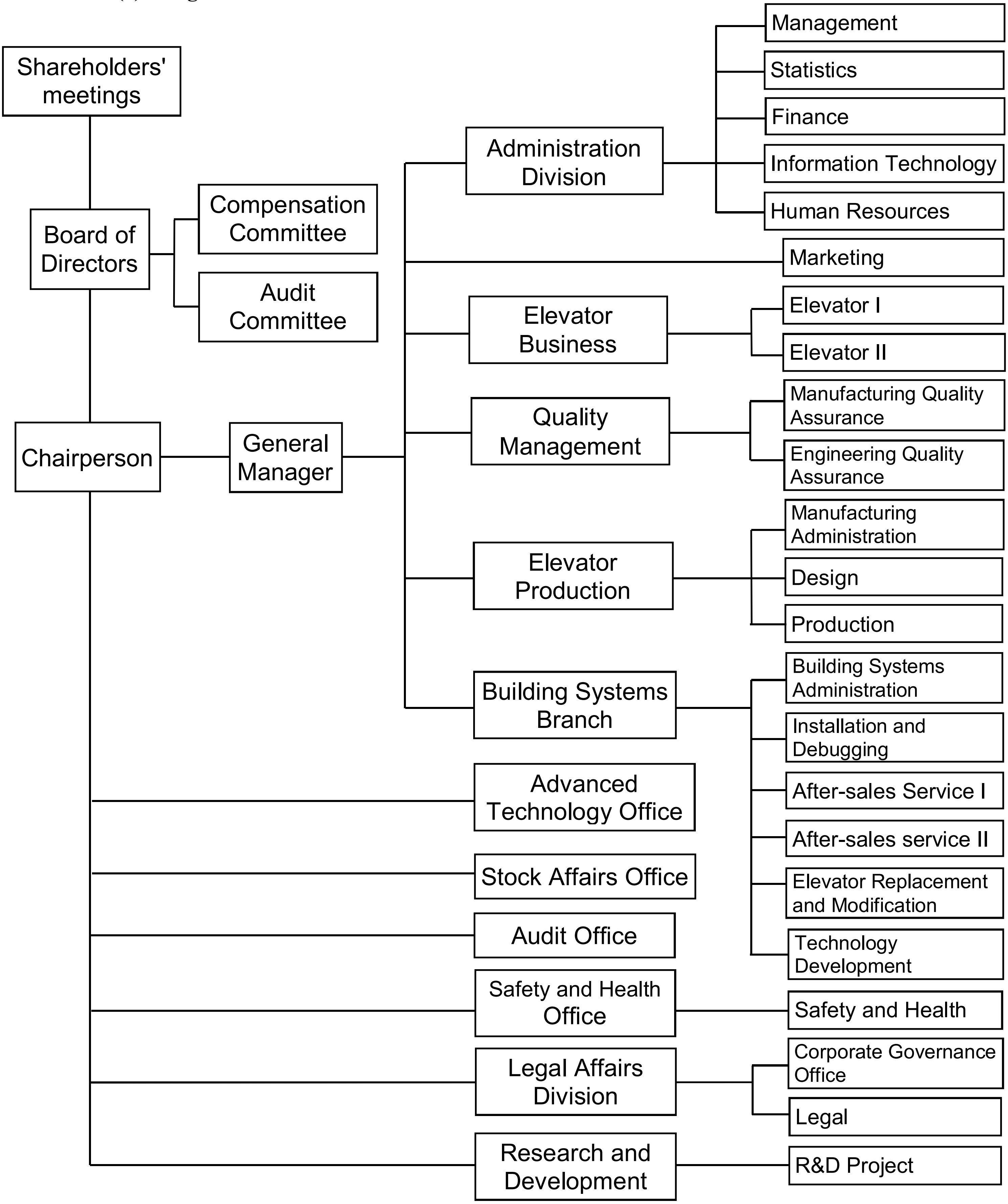
● Shanghai Yungtay increased the capital size of Shanghai Gie EM Co., Ltd. in May, with the paid-in capital stock being US$15 million.

2012	● Expansion of the manufacturing facilities of Shanghai Gie EM Co., Ltd. was completed in June.
	● Shanghai Yungtay established its subsidiary Chengdu Yungtay Elevator Equipment Co., Ltd. in June.
2013	● The name of Yung Hung Ltd. was changed to Yungtay Engineering Ltd. in March.
	● Shanghai Yungtay increased the capital size of Tianjin Yungtay Elevator Equipment Co., Ltd. in March, with the paid-in capital stock being RMB 200 million.
	● The name of Shanghai Yungtay Elevator Equipment Co., Ltd. was changed in June to Yungtay Elevator Equipment (China) Co., Ltd.
	● Yungtay Elevator Equipment (China) established its subsidiary Sichuan Yungtay Elevator Equipment Co., Ltd. in June.
	● Yung Shin Investment Ltd sold all shares it held in Shanghai Gie EM Co., Ltd. in September to Yungtay Elevator Equipment (China) Co., Ltd. and was dismissed and liquidated accordingly.
2014	● Sichuan Yungtay acquired Chengdu Yungtay in December, with the paid-in capital stock being RMB 152 million.
2015	● Construction of the Sichuan Plant of Yungtay Elevator Equipment (China) began in March.
	● The showroom of Yungtay Elevator Equipment (China) was completed and commissioned in December.
2016	● The Sichuan Plant of Yungtay Elevator Equipment (China) was completed in August.
2017	● GIO Automation Technology Co., Ltd. completed the liquidation procedures in January.
	● Yungtay Elevator Equipment (China) was consolidated with its subsidiary Shanghai Gie EM Co., Ltd. in December.
2018	● Hitachi Group intends to publicly acquire the common shares of the Company in October.
2019	● Yungtay Elevator Equipment (China) canceled the merger with its subsidiary Shanghai Gie EM Co., Ltd. in August.
	● Tianjin Yungtay Elevator Installation and Maintenance Co., Ltd. completed its cancellation in November.

III. Corporate Governance Report

(I) Organizational System

(1) Organizational Structure



(2) Major Departments and Their Scope of Operation

Title	Name	Main experience/education
Chairman	Tso Ming Hsu	Chairman of Yungtay (China) Department of Water Resources, Tamkang University
General Manager	Shang Yu Tsai	Special assistant of General Manager of Yungtay (China) Master of Management, Shanghai Jiao Tong University

Department	Main responsibilities
Remuneration Committee	Defines and regularly reviews policies, systems, standards, and structures related to the performance evaluation and compensation of directors and managers.
Audit Committee	Assists the Board of Directors in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.
Administration Division	Takes care of general affairs, finance, accounting, personnel and IT management, among others.
Marketing	Is responsible for imports and exports as well as developing exportation markets of the Company.
Elevator Business	Is responsible for the elevator business and market development.
Quality Management	Is responsible for manufacturing, installing, and modifying elevators, among other quality-assurance-related matters.
Elevator Production	Is responsible for designing and manufacturing elevators.
Building System Branch	Is responsible for installing, caring, repairing, and modifying elevators.
Advanced Technology Office	Development of elevator advanced technology at home and abroad.
Stock Affairs Office	Handles related stock affairs.
Audit Office	Is responsible for auditing operations of the Company and ensuring that the internal control system is effectively enforced.
Safety and Health Office	Formulation, planning, supervision, and promotion of health and safety management items and direction for relevant departments in the implementation thereof.
Legal Affairs Division	Maintenance of corporate governance items, assistance in company meeting procedures and operations, and execution of general legal affairs, legal compliance operations, and implementation of rule of law education.
Research and Development	Is responsible for researching and developing elevators and qualifying new products.

(II) Background Information of Directors, General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

(1) Director Information (1)

April 20, 2020

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Managers or directors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Chairman	ROC	Tso Ming Hsu	M	2019.4	3 years	2006.6	2,159,888	0.53%	2,159,888	0.53%	0	0%	0	0%	Department of Water Resources, Tamkang University Chairman of Yungtay (china) General Manager of Yungtay Engineering Co., Ltd.	(Note 2)	None	None	None
Director	Japan	Hitachi, Ltd.		2019.4	3 years	1968.11	31,817,168	7.74%	31,817,168	7.74%	-	-	0	0%	School of Political Science and Economics, Japan Waseda University Senior General manager at the Elevator&Escalator Business Development Office of Taiwan Hitachi Asia Pacific Co., Ltd.		None	None	None
	Japan	Representative Makoto Nagashima	M			2017.4	0	0%	0	0%	0	0%	0	0%					
Director	ROC	Fong Chieh Tsai	M	2019.4	3 years	2006.6	114,232	0.03%	94,232	0.023%	0	0%	0	0%	Master of Accounting, National Chengchi University General Manager of Yungtay Engineering Co., Ltd. Chairman of Yungtay-Hitachi Construction Machinery		None	None	None
Director	ROC	Chao Ching Hsu	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Doctor of Law, National Chung Cheng University Master of Laws, US Univerity of California at Berkeley Judge of Taiwan Chiayi District Court Partner of Baker & McKenzie Taipei Office Visiting Scholar of Law Department of US Duke University		None	None	None
Independent director	ROC	Fu Hsiung Huang	M	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	Department of Law, College of Law National Taiwan University Attorney of Johnson and Partners		None	None	None

Title	Nationality or registered domicile	Name	Gender	Date of inauguration Date	Tenure	Initial date of inauguration	Shares held upon inauguration		Shares currently held		Shares currently held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Positions served at the Company and other companies at present	Managers or directors that are a spouse or within two degrees of kinship		
							Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
Independent director	ROC	Shih Yang Chen	M	2019.4	3 years	2018.6	0	0%	0	0%	0	0%	0	0%	Accounting Bachelor, Soochow University Principal of Chung Sun Certified Public Accountants Taipei Office The 10th director of National Federation, ROC Certificated Accountant Association	(Note 2)	None	None	None
Independent director	ROC	Li Hsiu Chen	F	2019.4	3 years	2019.4	0	0%	0	0%	0	0%	0	0%	MBA (Accounting), National Chengchi University College of Commerce Chairperson of WEALTH & Co., CPAs Committee Member of Taipei City Government Clean Government Committee Director and Secretary General of Association of Certified Fraud Examiners Taiwan Chapter		None	None	None

Note 1: Directors with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Positions served at the Company and other companies of respective directors :

Name	Position at the Company	Current position(s) at other companies
Tso Ming Hsu	Chairman	Chairman : Yungtay (China), Tianjin Yungtay, Sichuan Yungtay, Vietnam Yungtay, Shanghai Gie, Yungchun Capital General manager : Yungtay (China), Tianjin Yungtay, Sichuan Yungtay, Shanghai Gie Representative of juristic-person director : Hong Kong Yungtay, Yungtay (China), Yungtay-Hitachi Construction Machinery
Hitachi, Ltd. Representative Makoto Nagashima	None	Senior General manager : Elevator&Escalator Business Development Office of Taiwan Hitachi Asia Pacific Co., Ltd.
Fong Chieh Tsai	None	Chairman : Yungtay-Hitachi Construction Machinery
Chao Ching Hsu	None	Director : Lex Pro Attorneys at Law Independent Directorl : URE, SyneuRx
Fu Hsiung Huang	None	Attorney : Johnson and Partners
Shih Yang Chen	None	Principal : Chung Sun Certified Public Accountants Taipei Office Director : Hsin Kuang Steel, Optivision Technology Supervisor : Taiwan Chinsan Electronic
Li Hsiu Chen	None	Chairperson : WEALTH & Co., CPAs

Note 3 : Chairman and President or someone with an equivalent job responsibility(i.e. the highest ranking manager) are the same person, in a marital relationship with each other, or within one degree of consanguinity : None.

Major shareholders of institutional shareholders

September 30, 2019

Name of institutional shareholder	Major shareholders of institutional shareholders	Shareholding ratio
Hitachi, Ltd.	The Master Trust Bank of Japan, Ltd.(Trust Account)	7.61%
	Japan Trustee Services Bank, Ltd.(Trust Account)	6.26%
	Hitachi Employees' Shareholding Association	2.13%
	Nippon Life Insurance Company	1.96%
	Japan Trustee Services Bank,Ltd.(Trust Account 5)	1.95%
	STATE STREET BANK AND TRUST COMPANY 505001	1.84%
	STATE STREET BANK AND TRUST COMPANY 505223	1.83%
	JP MORGAN CHASE BANK 385151	1.81%
	NATS CUMCO	1.77%
	STATE STREET BANK WEST CLIENT－TREATY 505234	1.58%

Director Information (2)

Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note)												Number of other public offering companies where the position of part-time independent director is held
	Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10	11	12	
Tso Ming Hsu			✓				✓	✓	✓		✓	✓	✓	✓	✓	0
Hitachi Ltd. Representative Makoto Nagashima			✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Fong Chieh Tsai		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chao Ching Hsu		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shih Yang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note : When any of the following conditions is met for each director or supervisor during the two (2) years prior to and during their tenure, check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.

(2) Not a director or supervisor of the Company or its associated enterprise (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.

(4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstand shares of the Company or that holds shares ranking in the Top 5 in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company (The same does not apply, however, in case where the specific company or institution holds over 20% but less than 50% of the total number of issued shares of the Companyand the person is an Independent Director of the Company or its parent company, subsidiary or subsidiary of the same parent company are set up according to this Act or local country ordinances).

(9) Not a professional who provides auditing, or provides related services on commercial, legal affairs, financial affairs, and accounting to the Company or its associated enterprise with the cumulated remuneration within the last two years less than NT$500,000, or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution. This does not include members of remuneration committee, public acquisition audit committeeor special committee for merger who exercise power in accordance with relevant laws and regulations in Securities and Exchange Act or Business Mergers and Acquisitions Act.

(10) Not the spouse or a relative within the second degree of kinship to any other director of the Company.

(11) None of the conditions indicated under Article 30 of the Company Act.

(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act.

(2) Background Information of General Managers, Vice General Managers, Assistant Managers, and Heads of Various Departments and Branches

April 20, 2020

Title	Nationality	Name	Gender	Date of Inauguration	Shares held		Shares held by spouse and minor child(ren)		Shares held in someone else's name		Main experience/ education	Current positions at other companies	Managers who are the spouse or a relative within the second degree of kinship (Note 3)		
					Quantity	Ratio	Quantity	Ratio	Quantity	Ratio			Title	Name	Relationship
General Manager	ROC	Shang Yu Tsai	M	2019.5	5,000	0%	705	0%	0	0%	Shanghai Jiao Tong University Master of Management	(Note 2)	None	None	None
Building System Vice General Manager	ROC	Chung Wen Wang	M	2018.3	608	0%	0	0%	0	0%	National Chung Tsing University Department of Statistics		None	None	None
Administration Division Assistant Manager	ROC	Tung Sheng Lin	M	2007.9	1,000	0%	0	0%	0	0%	National Cheng Kung University Master of Industrial Management		None	None	None
Elevator Business Assistant Manager	ROC	Chieh Jen Chang	M	2017.3	200	0%	0	0%	0	0%	Ming Chi University of Technology Department of Mechanical Engineering		None	None	None
Quality Assurance and Management Assistant Manager	ROC	Tsun Yao Wu	M	2015.10	853	0%	0	0%	0	0%	National Taiwan University of Science and Technology Department of Mechanical Technology	None	None	None	None
Elevator Production Assistant Manager	ROC	Hsun Chi Chang	M	2020.4	6,836	0%	0	0%	0	0%	Tsinghua University Master of Industrial Engineering	None	None	None	None
Research and Development Assistant Manager	ROC	Wen Chieh He	M	2019.8	0	0%	0	0%	0	0%	Tamkang University Department of Aeronautical Engineering	None	None	None	None
Legal Affairs Division Assistant Manager	ROC	Yu Hsiang Lin	M	2019.9	0	0%	0	0%	0	0%	Northwestern University Master of Law	None	None	None	None
Accounting Manager	ROC	Wei Chuan Wang	M	2019.4	0	0%	0	0%	0	0%	National Chengchi University Department of Business Administration	None	None	None	None
Financial Manager	ROC	Jui Hsun Chang	F	2015.8	827	0%	0	0%	0	0%	Providence University Department of Information Management	None	None	None	None

Note 1 : Managers with prior service in the accounting firm in charge of the current audit or its associated enterprises : None.

Note 2 : Managers holding positions at other companies：

Name	Current position(s) at other companies
Shang Yu Tsai	Chairman : Vietnam Yungtay Special assistant of general manager : Yungtay (China) Representative of juristic-person director : Hong Kong Yungtay, Yungtay (China), Yungchun Capital, Shang Ying Investment
Chung Wen Wang	Representative of juristic-person director : Yungtay (China), Yungchun Capital
Tung Sheng Lin	Representative of juristic-person director : Yungchun Capital Supervisor : Yungtay-Hitachi Construction Machinery Representative of juristic-person supervisor : Yungtay (China), Evest Corporation, Yungchun Capital
Chieh Jen Chang	Representative of juristic-person director : Yungtay-Hitachi Construction Machinery

(3) Remunerations paid to directors, independent directors, general managers, and vice general managers

1. Remunerations paid to directors and independent directors

2019; unit: NTD thousand

Title	Name	Remunerations for directors								Ratio of the sum of A, B, C, and D to after-tax earnings		Related remunerations to those who are also employees								Ratio of the sum of A, B, C, D, E, F, and G to after-tax earnings		Claim of remunerations from re-invested businesses or parent company other than subsidiaries
		Reward (A)		Retirement and pension (B)		Remunerations for directors (C)		Operational expenditure (D)				Bonus and Special expenditure (E)		Retirement and pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
																Cash value	Stock value	Cash value	Stock value			
Chairman	Tso Ming Hsu	6,650	6,650	0	0	3,341	3,791	1,440	1,800	1.22%	1.25%	15,282	30,461	12,387	12,387	28	0	28	0	4.16%	5.87%	0
Director	Ray Chun Su																					
Director	Hitachi Ltd. Representative Makoto Nagashima																					
Director	Fong Chieh Tsai																					
Director	Chao Ching Hsu																					
Director	UT Park View, Inc. (HSBC bank trust account) Representative Wei Tsung Chang																					
Director	Ever Link co., Ltd. Representative Wann Lai Cheng																					
Independent Director	Fu Hsiung Huang	3,390	3,390	0	0	1,670	1,670	1,090	1,090	0.65%	0.63%	0	0	0	0	0	0	0	0	0.65%	0.65%	0
Independent Director	Shih Yang Chen																					
Independent Director	Li Hsiu Chen																					
Independent Director	Yung Ming Hsieh																					
Independent Director	Ching Yu Liao																					

1. Please clearly state the policies, systems, standards and structures for paying remuneration to independent directors and the relation between factors, such as the duties taken, risks, devoted time, and the amount of remuneration :
   (1) As is required by the Company's Articles of Incorporation, the Board of Directors is authorized to decide the rewards for the Company's directors (including the Chairman) referring to the advice provided by the Compensation Committee and the general standards in the industry.
   (2) It is specified in the Articles of Incorporation that no more than 1% of the annual earnings shall be the rewards for directors. It says in the Organic Charter of the Company's Compensation Committee that the payment of rewards for directors is based on the Company's Regulations Governing Compensation for Directors and Managers. The Compensation Committee shall review the general standards in the industry periodically each year and consider the extent of contribution of the directors and managers to the Company's operational performance and their involvement, performance, and future operational risks and adjust the values of respective compensations hereunder before submitting them to the Board of Directors for final decisions.
2. Besides those disclosed in the above table, remunerations paid to directors in the most recent year for having provided services to all companies covered in the financial statement (such as working as a consultant who is not an employee) : NT$0.

Note 1 : For directors who are also employees, the Company (all companies included in the financial statement) sets aside NT$216 thousand as the pension fund.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. The 18th Board of Directors' director Wann Lai Cheng , independent director Yung Ming Hsieh and independent director Ching Yu Liao were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

Bracket by which remunerations are paid to individual directors of the company	Name of director			
	Sum of the said four types of remunerations (A+B+C+D)		Sum of the said seven types of remunerations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement
Below NT$1,000,000	—	—	—	—
NT$1,000,000 (inclusive) ～NT$2,000,000 (exclusive)	Tso Ming Hsu, Ray Chun Su, Hitachi Fong Chieh Tsai, Chao Ching Hsu, Wei Tsung Chang, Fu Hsiung Huang, Li Hsiu Chen, Wann Lai Cheng Yung Ming Hsieh, Ching Yu Liao	Hitachi, Chao Ching Hsu, Wei Tsung Chang, Fu Hsiung Huang, Li Hsiu Chen, Wann Lai Cheng Yung Ming Hsieh, Ching Yu Liao	Hitachi, Chao Ching Hsu, Wei Tsung Chang, Fu Hsiung Huang, Li Hsiu Chen, Wann Lai Cheng Yung Ming Hsieh, Ching Yu Liao	Hitachi, Chao Ching Hsu, Wei Tsung Chang, Fu Hsiung Huang, Li Hsiu Chen, Wann Lai Cheng Yung Ming Hsieh, Ching Yu Liao
NT$2,000,000 (inclusive) ～NT$3,500,000 (exclusive)	Shih Yang Chen	Tso Ming Hsu, Ray Chun Su Fong Chieh Tsai, Shih Yang Chen	Shih Yang Chen	Shih Yang Chen
NT$3,500,000 (inclusive) ～NT$5,000,000 (exclusive)	—	—	—	—
NT$5,000,000 (inclusive) ～NT$10,000,000 (exclusive)	—	—	—	—
NT$10,000,000 (inclusive) ～NT$15,000,000 (exclusive)	—	—	Tso Ming Hsu, Ray Chun Su, Fong Chieh Tsai	Ray Chun Su, Fong Chieh Tsai
NT$15,000,000 (inclusive) ～NT$30,000,000 (exclusive)	—	—	—	Tso Ming Hsu
NT$30,000,000 (inclusive) ～NT$50,000,000 (exclusive)	—	—	—	—
Total	17,581	18,391	45,278	61,267

Note : The remunerations paid to drivers in 2019 totaled NT$646,570.

2. Remunerations for general managers and vice general managers

2019; Unit: NTD thousand

Title	Name	Salary (A)		Retirement and pension (B)		Bonus and special expenditure (C)		Employee remunerations (D)				Ratio of the sum of A, B, C, and D to after-tax earnings (%)		Claim of remunerations from re-invested businesses or parent company other than subsidiaries
		The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company	All companies included in the financial statement	The Company		All companies included in the financial statement		The Company	All companies included in the financial statement	
								Cash value	Stock value	Cash value	Stock value			
General Manager	Shang Yu Tsai	6,126	8,088	6,980	6,980	4,748	4,748	57	0	57	0	1.91%	2.03%	0
General Manager	Fong Chieh Tsai													
Vice General Manager	Chung Wen Wang													

Note 1 : The Company (all companies included in the financial statement) sets aside NT$216 thousand as the pension fund.

Note 2 : The new appointment of general manager has been approved on the No.2 of the 19th Board of Directors meeting and general manager was replaced by Shang Yu Tsai.

Remuneration bracket table

Bracket by which remunerations are paid to respective general managers and vice general managers of the Company	Name of General Manager/Vice General Manager	
	The Company	All companies included in the financial statement
Below NT$1,000,000	–	–
NT$1,000,000 (inclusive) ～NT$2,000,000 (exclusive)	–	–
NT$2,000,000 (inclusive) ～NT$3,500,000 (exclusive)	–	–
NT$3,500,000 (inclusive) ～NT$5,000,000 (exclusive)	Shang Yu Tsai, Chung Wen Wang	Shang Yu Tsai, Chung Wen Wang
NT$5,000,000 (inclusive) ～NT$10,000,000 (exclusive)	Fong Chieh Tsai	Fong Chieh Tsai
NT$10,000,000 (inclusive) ～NT$15,000,000 (exclusive)	–	–
Total	17,911	19,874

Note : The salaries paid to drivers in 2019 totaled NT$801,241.

4. Names of managers assigned with employee remunerations and the distribution

2019; Unit: NTD thousand

	Title	Name	Stock value	Cash value	Total	Ratio of sum to after-tax earnings (%)
Manager	General Manager	Shang Yu Tsai	0	294	294	0.03%
	Vice General Manager	Chung Wen Wang				
	Assistant Manager	Tung Sheng Lin				
	Assistant Manager	Chieh Jen Chang				
	Assistant Manager	Tsun Yao Wu				
	Assistant Manager	Chen Kuan Chiang				
	Assistant Manager	Ming Chu Chen				
	Assistant Manager	Wen Chieh He				
	Assistant Manager	Yu Hsiang Lin				
	Accounting Manager	Wei Chuan Wang				
	Financial Manager	Jui Hsun Chang				

(4) Compare and separately describe the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two (2) years by the Company and all companies in the consolidated statement to after-tax earnings indicated in the entity or individual financial statements and describe correlation among the remuneration payment policy, standards and combination, remuneration establishment procedures, and management efficacy and risks in the future:

Unit: NTD thousand

Items / Title	2018				2019			
	The Company		All companies in the consolidated statement		The Company		All companies in the consolidated statement	
	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)	Sum of remunerations	Ratio of sum to after-tax earnings (%)
Director	35,201	5.22%	53,321	7.90%	45,278	4.82%	61,267	6.52%
Supervisor	360	0.05%	360	0.05%	—	—	—	—
General Manager and Vice General Manager	8,810	1.31%	8,810	1.31%	17,911	1.91%	19,874	2.12%

The Company pays remunerations according to the salary level on the market for the position concerned and the scope of responsibility required for the position in the Company as well as the prospective contribution of the person holding the position to the Company's operation. The remuneration establishment procedure takes into consideration the overall operational performance of the Company and also the fulfillment rate of personal performance as well as the level of contribution to the Company's performance. Reasonable rewards are given accordingly. The remuneration regulations have been approved by the Company's Remuneration Committee and related payments were proposed by the Remuneration Committee and released following the approval of the Company's Board of Directors.

The remunerations paid to the Company's directors and supervisors over the past two (2) years have to do with the current operational performance; as for those paid to general managers and vice general managers, review of the fulfillment of their performance objectives did not reveal future risks for the Company as a result of fulfillment of short-term performance.

(III) Status of Corporate Governance

(1) Board of Directors

The Board of Directors met 10 times (A) in 2019. Attendance of directors in the meetings is as follows:

Title	Name	Actual attendance (seated) frequency (B)	Attendance through proxy frequency	Actual attendance (seated) rate (%) (B/A) (Note 1)	Notes
Chairman	Tso Ming Hsu	7	0	100%	New appointment
Director	Ray Chun Su	9	1	90%	Reappointment (Note 3)
Director	Hitachi, Ltd. Representative Makoto Nagashima	10	0	100%	Reappointment
Director	Fong Chieh Tsai	10	0	100%	
Director	Chao Ching Hsu	7	0	100%	New appointment
Director	UT Park View, Inc Representative Wei Tsung Chang	10	0	100%	Reappointment (Note 4)
Independent Director	Fu Hsiung Huang	7	0	100%	New appointment
Independent Director	Shih Yang Chen	10	0	100%	Reappointment
Independent Director	Li Hsiu Chen	7	0	100%	New appointment
Independent Director	Ching Yu Liao	2	1	67%	Dismissed
Independent Director	Yung Ming Hsieh	3	0	100%	
Director	Ever Link Co., Ltd. Representative Wann Lai Cheng	3	0	100%	
Director	Orchid Ventures Ltd. Representative Chao Ching Hsu	3	0	100%	

Other details to be documented:

1) When the operation of the Board of Directors is found with one of the following conditions, the date, session No., details of proposals, opinions of all independent directors and how the Company handles the opinions shall be stated :

1. Matters listed in Article 14-3 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2019/1/29 (No. 8 of the 18th Board of Directors meeting)	Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law	Independent directors Ching Yu Liao, Yung Ming Hsieh expressed assent, and independent director Shih Yang Chen expressed objection. The statutory matters have been announced and made into a written to report to the Financial Supervisory Committee for reference and copy to the relevant securities institutions.

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2019/1/29 (No. 8 of the 18th Board of Directors meeting)	Hitachi shall amend its minimum acquisition ratio for public tender offer from 21.66% to 38.3223% which was the minimum acquisition ratio indicated in the binding proposal dated October 26, 2018	Independent director Shih Yang Chen expressed assent, and independent directors Ching Yu Liao, Yung Ming Hsieh expressed objection. The Company published material information in accordance with regulations.
2019/3/15 (No. 9 of the 18th Board of Directors meeting)	2018 annual financial statements proposal	Independent directors Ching Yu Liao, Yung Ming Hsieh expressed assent, and independent director Shih Yang Chen expressed objection. The Company published material information in accordance with regulations.
	2018 earnings distribution proposal	
	Appointment and dismissal of the accounting manager	All independent directors approved as proposed.
	Appointment and remuneration of the visa accountant	
2019/5/13 (No. 2 of the 19th Board of Directors meeting)	2018 remunerations of employees and directors distribution proposal	All independent directors approved as proposed.
	Amendment to Procedures for Acquisition or Disposal of Assets	
	Amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees	
	Amendment to Standards for the Internal Control Systems of Shareholder Services Units	
2019/12/12 (No. 7 of the 19th Board of Directors meeting)	The donations to related party in 2020	

2. Other resolutions reached in Board of Directors' meetings objected to or with reservations expressed by independent directors that are recorded or documented in written statements rectors in a written statement :

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2019/3/15 (No. 9 of the 18th Board of Directors meeting)	Remuneration of chairman	Independent directors Ching Yu Liao, Yung Ming Hsieh expressed assent, and independent director Shih Yang Chen expressed objection. The Company published material information in accordance with regulations.
2019/5/13 (No. 2 of the 19th Board of Directors meeting)	Dismissal of the current general manager	Independent directors Shih Yang Chen, Li Hsiu Chen expressed assent, and independent director Fu Hsiung Huang expressed objection. The Company published material information in accordance with regulations.
	Appointment of the new general manager	

2) For the enforcement of recusal upon conflicts of interest among directors, the name of the director, details of the proposal, reason for the recusal, and participation in the voting process or not shall be described:
In 2019, up to the date the Annual Report was printed…

1. 2019/1/29 (No. 8 of the 18th Board of Directors Meeting) Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law :
The 18th Board of Directors' Chairman Ray Chun Su and honorary chairman Tso Li Hsu have a relationship of first-degree direct blood relatives. Due to the honorary chairman Tso Li Hsu was participated in the tender offer, Chairman Ray Chun Su needed to recuse himself.
Hitachi Ltd. is the same group corporation as this public tender offeror Taiwan Hitachi Elevator Co., Ltd.. Due to the conflicts of interests, representative Makoto Nagashima of juristic-person director Hitachi, Ltd. needed to recuse himself.
2. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) The remuneration of chairman proposal :
Due to the proposal refer to the remuneration of the chairman's position, the 18th Board of Directors' Chairman Ray Chun Su needed to recuse himself.
3. 2019/5/13 (No. 2 of the 19th Board of Directors Meeting) The dismissal of current general manager proposal :
Due to the conflicts of interests, director Fong Chieh Tsai needed to recuse himself.
4. 2019/8/8 (No. 5 of the 19th Board of Directors Meeting) Requesting the honorary chairman to return the remuneration, payment of retirement allowance for the honorary chairman during his tenure as chairman :
Due to the 18th Board of Directors' Chairman Ray Chun Su and honorary chairman Tso Li Hsu have a relationship of first-degree direct blood relatives, Chairman Ray Chun Su needed to recuse himself.
5. 2019/12/12 (No. 7 of the 19th Board of Directors Meeting) The donations to related party in 2020 :
Due to the director Fong Chieh Tsai is a director of the donation object "Yung Tay Social Welfare Foundation", director Fong Chieh Tsai needed to recuse himself.

3) Reinforced assessments of functional objectives of the Board of Directors and implementation status of the objectives of the immediate year and the most recent year:

1. The prepared "Behavioral Guidelines for Directors and Managers" was approved by the Board of Directors in December 2014 so that directors will follow the Company's integrity and ethical criteria and the power of the Board of Directors to exercise its functions may be strengthened.
2. The Company established its Remuneration Committee in June 2012 and the prepared "Regulations for Independent Directors to Exercise Their Duties" was approved in March 2015 in order to further perfect the operation of the Board of Directors.
3. The Company established an Audit Committee in June 2018. It is consisting of three independent directors to assist the Board of Directors in fulfilling their supervisory duties.
4. Related investor information is constantly updated and added to the Company's website in order to reinforce information disclosure and enhance information transparency.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of Board of Directors meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019. The term of office is from April 18, 2019 to April 17, 2022, and the director Tso Ming Hsu is elected as the chairman. The 18th Board of Directors' director Wann Lai Cheng, independent director Ching Yu Liao and independent director Yung Ming Hsieh were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

Note 3 : Director Ray Chun Su resigned on April 29, 2020.

Note 4 : The juristic person director UT Park View, INC. and its representative Wei Tsung Chang, have tendered the resignation from the Board of Directors of the Company on January 13, 2020.

(2) Operational status of the Audit Committee

1. The Company established an Audit Committee in June 2018.
2. The Audit Committee met 4 times (A) in 2019. Attendance of the meetings is as follows:

Title	Name	Actual seated frequency (B)	Actual seated rate (%) (B/A) (Note 1)	Notes
Chairman	Yung Ming Hsieh	4	100%	Reappointment
Commissioner	Fu Hsiung Huang	3	100%	New appointment
Commissioner	Li Hsiu Chen	3	100%	
Chairman	Ching Yu Liao	1	100%	Dismissed
Commissioner	Shih Yang Chen	1	100%	

Other details to be documented:

(I) 1) Matters listed in Article 14-5 of the Securities Exchange Act:

Date (Session No.)	Details of proposals	Opinions of all independent directors and how the Company handles the opinions
2019/3/15 (No. 3 of the 1st Audit Committee meeting)	2018 annual financial statements	Independent directors Ching Yu Liao, Yung Ming Hsieh expressed assent, and independent director Shih Yang Chen expressed objection. The Company published material information in accordance with regulations.
	Appointment and dismissal of the accounting manager	All independent directors approved as proposed.
	Appointment and remuneration of the visa accountant	
2019/5/13 (No. 2 of the 2nd Audit Committee meeting)	Amendment to Procedures for Acquisition or Disposal of Assets	All independent directors approved as proposed.
	Amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees	
	Amendment to Standards for the Internal Control Systems of Shareholder Services Units	

2) Other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors : None.

(II) The enforcement of independent directors' recusal due to conflicts of interest : None.

(III) Communication between the Audit Committee and internal audit head and CPAs :

1) The internal audit head have sent the audit reports to the members of the Audit Committee periodically, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The internal audit head will immediately report to the members of the Audit Committee any material matters. During 2019, the audit head head did not report any such material matters. The communication channel between the Audit Committee and the internal audit head functioned well.

(2) The Company's CPAs have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the CPAs are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2019, the Company's CPAs did not report any irregularity. The communication channel between the Audit Committee and the CPAs functioned well.

Note 1 : The actual attendance (seated) rate (%) is calculated by the number of meetings held during service and the actual attendance (seated) in the meetings.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. The 18th Board of Directors' independent director Yung Ming Hsieh and independent director Ching Yu Liao were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

(3) Corporate governance implementation status and deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company prepared its corporate governance principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, which were already approved by the Board of Directors in August 2017 and disclosed on the Market Observation Post System and the Company's websites.	No major deviations.
(II) Shareholding structure & shareholders' rights				
1. Does the company establish internal operating procedures for handling shareholder suggestions, questions, disputes or lawsuits and implement the procedures?	V		1. There are spokespersons, acting spokespersons, and legal affairs and stock affairs sections to address suggestions and concerns from, disputes, and lawsuits concerning shareholders.	No major deviations.
2. Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		2. The list of major shareholders is printed each year for the shareholders' meeting and upon ex-right and ex-dividend when a transfer is disallowed to help understand changes in major shareholders.	No major deviations.
3. Has the company established and implemented risk management and firewall mechanisms regarding its associated enterprises?	V		3. Associated enterprises run their own finance and accounting. There are also related procedures in place for endorsement/guarantee and lending of funds as required by law. Meanwhile, "the Regulations for the Supervision and Management of Subsidiaries" are followed. They are under the control and will be audited by the parent company.	No major deviations.
4. Has the company established internal rules against insiders trading with undisclosed information?	V		4. The Procedure for Handling Major Internal Information is in place and education is provided to related people periodically to help create a sound internal major information processing and disclosure mechanism for the Company, to avoid illegitimate disclosure of information, to prevent against insider trading, and to ensure consistency and accuracy of information released to the public.	No major deviations.
(III) Composition and Responsibilities of the Board of Directors				
1. Has the Board of Directors developed and implemented a diversified policy for the composition of its members?	V		1. a)The Company has established the "Corporate Governance Best Practice Principles", and in Chapter 3 "Enhancing the Functions of the Board of Directors", it specifies the requirement for the diversity of the composition of members of board of directors. The nomination and election of members of board of directors of the Company comply with the requirements specified in the Company's articles of incorporation, and the candidate nomination system is adopted. In addition to the evaluation of the	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
			education background and experience qualification of all candidates, the opinions of the stakeholders are also considered, and the requirements specified in the "Procedures for Election of Directors " and "Corporate Governance Best Practice Principles" are satisfied in order to ensure the diversity and independence of the members of board of directors. b) The roster of the 19th term of board of directors of the Company consists of 9 directors including one female direction. All of the directors are equipped with the knowledge, expertise and quality necessary for executing the job duties. Presently, regarding the members of board of directors of the Company, Tso Ming Hsu, Makoto Nagashima, Fong Chieh Tsai are proficient in leadership, decision making, management industry knowledge; Chao Ching Hsu is proficient in the medical, health and legal professional fields; the independent director, Shih Yang Chen, is proficient in the accounting professional and assumes the position of council member of the 10th term of CPA Associations R.O.C. (Taiwan); and independent director, Li Hsiu Chen, assumes the position of committee member of the Clean Government Committee of Taipei City Government, member and secretary-general of the Association of Certified Fraud Examiners; independent director, Fu Hsiung Huang, is proficient in commercial law and financial law. The expertises of all members of the board of directors are beneficial to the operational development of the Company.	
2. Does the company voluntarily establish other functional committees in addition to Remuneration Committee and Audit Committee that are established as required by laws?		V	2. Besides the remuneration committee is established as required by law, the Company has set up an audit committee in June 2018. Other functional committees will be set up as needed in the future.	No major deviations.
3. Has the company established methodology for evaluating the performance of the Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and uses the results as reference for directors' remuneration and renewal?		V	3. There are no regulations available for the evaluation of the performance of the Board of Directors at the moment yet. The Company will stipulate the evaluation regulations and methods if necessary.	They will be stipulated to reflect actual needs in the future.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
4. Does the company regularly evaluate the independence of CPAs?	V		4. The Company evaluates the professionality and independence of CPAs at least once annually. In addition, through inquires conducted by the shock affairs unit of the Company, the CPAs and audit team are confirmed to possess no shares of the Company and are not engaged in brokerage of any stocks or other securities issued by the Company. Furthermore, the CPAs are not concurrently holding any positions in the Company. With regard to the indicators of the scale, reputation and audit certification fee of the accounting firm, whether there are periodic continuing educations and interactions with internal audit supervisor etc., Jiang Sheng & Co., CPAs has also issued a statement of independence and has provided relevant information in addition to the signing of the power of attorney annually for submission to the board of directors for assessment. The assessment result of the most recent year has been completed on March 25, 2020.	No major deviations.
(IV) Does the company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The Company establishes the Legal Affairs Division as the responsible unit, and it is staffed with the corporate governance executive and governance personnel. Providing directors with materials required for them to carry out their tasks and handling matters related to Board of Directors' meetings and shareholders' meetings. The commissioner in the Management Department responsible for registering the Company and changing registered information, and the commissioner in the Statistics Department responsible for preparing minutes of Board of Directors' meetings and shareholders' meetings.	No major deviations.
(V) Has the company established a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and properly respond to corporate social responsibility issues that stakeholders are concerned about?	V		For employees, there is the labor union. For shareholders, there are the legal affairs and stock affairs units. For customers, there is complaint management. Meanwhile, spokespersons and acting spokespersons are available to facilitate communications with stakeholders. Related contact information is announced on the Company's website and its Annual Report. There is also an exclusive section for stakeholders on the Company's website to facilitate addressing issues of concern for stakeholders.	No major deviations.
(VI) Does the company designate a professional shareholder service agency to deal with affairs relating to shareholders meetings?		V	The Company handles its own stock affairs. There is the stock affairs division to take charge of shareholders' meetings.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Brief descriptions	
(VII) Disclosure of Information				
1. Has the company established a corporate website to disclose information regarding its financial, business and corporate governance status?	V		1. The Company has established a corporate website to disclose its financial statements and corporate governance-related information and there is a link on the website to the Market Observation Post System.	No major deviations.
2. Does the company adopt other ways of disclosing information (e.g., maintaining an English website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		2. There are specialists in the stock affairs and statistics divisions responsible for collecting and disclosing information. Meanwhile, comments made to the public are the exclusive responsibilities of spokespersons and acting spokespersons that are also available. The Company releases information on investor conferences on its website, too.	No major deviations.
3. Does the company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		3. The Company follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please see https://emops.twse.com.tw/server-java/t58query.	No major deviations.
(VIII) Is there any other important information available to facilitate a better understanding of the company's corporate governance operational status (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Refer to [Note].	No major deviations.
(IX) Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement. (1) In the 2019 Corporate Governance Evaluation, the Company ranked 36%~50%. In order to enhance corporate governance, items without a score during the accreditation have been evaluated one by one for their feasibility and related solutions are introduced. (2) Details about the matters discussed in the Compensation Committee and the decisions made were not disclosed in the Company's Annual Report; contents to be disclosed will be prioritized for reinforcement.				

Note : (1) Employee rights, employee wellness : The Company operates in strict compliance with laws and regulations and its personnel administration meets the requirements of local laws and regulations. The Company considers employees as its most important asset and hence provides diversified communication channels so that employees can freely express their advice for the Company, which will be the basis for improving various measures. There is the Employee

Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company. In addition, holiday gifts, marital and funeral subsidies, reimbursements for rewarding tours, among others, are available. Meanwhile, employee remunerations are provided so that employees can share operational fruits. The OHSAS18001 certification for occupational safety and health management systems is approved to precisely safeguard safety of employees at work. "The Company has the Work Rules" and "the Employee Code of Conduct" in place that specify in detail related rights and obligations employees are entitled to, the expected behavior from them while in service, and the ethics at work that they should follow.

(2) Investor relations, supplier relations, rights of stakeholders, the implementation of risk management policies and risk evaluation standards : The Company releases related information to general investors both periodically and from time to time to keep them informed as required by laws and regulations. There are specific regulations governing the screening of suppliers, procurement, acceptance, and payment to facilitate mutual compliance and to help maintain a desirable relationship with suppliers. Directors of the Company possess enriched industrial professionalism and practical experiences in management. Most of them are able to adequately appear in the Board of Directors' meetings and strictly comply with the recusal principle in proposals concerning their personal interest. Stakeholders have no problems communicating with the Company and the legal rights they are entitled to may be protected. The Company has various internal management rules and approval powers defined for respective tasks carried out. For significant affairs, on the other hand, they are handled as an exceptional case and various types of risk assessment and control are performed.

(3) Implementation of policies to protect consumers or customers : The ISO9001 certification for quality was approved, realizing the first commitment Yungtay made to quality. There is the 24-hour toll-free hotline for customers to make a complaint and to help ensure the safety of customers while riding in our elevators. There are also the mail box and web page for filing a complaint. Complaints are handled by specialists. We obtained ISO14001 certification and we evaluate the impacts of our product design, manufacturing, and installation process flows on the environment in order to fulfill our obligation as a member of the global village. We are serving our customers on the belief of "always thinking ahead for you" and we provide customers with "humanized daily transport". Yungtay persistently "provide customers with satisfying products and services and avoid any inconvenience for them appropriately." By maintaining an optimal and steady relationship with customers, we are creating profits for the Company.

(4) Continuing education of directors in 2019 :

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
Independent Director	Fu Hsiung Huang	2019/04/18	2019/07/25	2019/07/25	China Life Insurance Company Limited	Educational training on the principle of fair treatment to customers	1.5	Yes
			2019/08/15	2019/08/15		Introduction to IFRS17	3.0	
			2019/10/15	2019/10/15	Securities and Futures Institute	Remuneration Committee and Growth Strategy Committee Operation Practice	3.0	
			2019/10/23	2019/10/23		Corporate financial statements fraud case study and discussion	3.0	
			2019/11/28	2019/11/28	China Life Insurance Company Limited	3rd session of mutual evaluation outcome sharing and future anti-money laundering and counter terrorism financing enhancement	2.0	

Title	Name	Date of inauguration	Duration of continuing education		Organizer	Course title	Hours involved	Compliance with requirement
			Start	End				
Independent Director	Shih Yang Chen	2018/06/28	2019/05/07	2019/05/07	Taiwan Corporate Governance Association	Board of directors communication culture and decision making quality	3.0	Yes
			2019/11/05	2019/11/05		Group governance and performance management	3.0	
Independent Director	Li Hsiu Chen	2019/04/18	2019/01/23	2019/01/23	The National Federation of CPA Associations	How to draft new audit report	3.0	Yes
			2019/05/30	2019/05/30	Corporate Governance Professionals Association	Family enterprise governance practice seminar	3.0	
			2019/05/31	2019/05/31	Technology Transfer Center of ITRI & Taiwan Intangible Assets Association	Intangible asset evaluation practice seminar	6.0	
			2019/06/03	2019/06/03	ACFE Taiwan Chapter	Intangible asset evaluation practice seminar	3.0	
			2019/06/21	2019/06/21		Utilization of forensic accounting in the calculation of gain from insider trading crime	3.0	
			2019/07/17	2019/07/17	The National Federation of CPA Associations	Introduction of forensic accounting and No. 1 guideline (acted as instructor)	3.0	
			2019/07/17	2019/07/17	ACFE Taiwan Chapter	Procedure and skills for professional witness cross-examination	2.0	
			2019/08/30	2019/08/30		Improperness of amendment of Article 14-5 and Article 36 of the Securities and Exchange Act?	3.0	
			2019/10/19	2019/10/19		Fraudulent financial statements - legal liability of directors	3.0	
			2019/10/19	2019/10/19		Fraudulent financial statements - legal liability of managerial officers and accountants	3.0	
			2019/11/23	2019/11/23		Professional ethics	3.0	
			2019/11/23	2019/11/23		Court expert and expert witness operation and direction of law amendment	3.0	
			2019/12/13	2019/12/13		Meeting accountant at theater: Forensic accounting cafe	3.0	
			2019/12/24	2019/12/24	The National Federation of CPA Associations	Overseas fund returning to Taiwan practice study and analysis	3.0	

(5) Insurance purchased by the company for directors : In order to reinforce corporate governance, the Company has purchased liability insurance for its directors.

(4) Composition, responsibilities, and operations of the Remuneration Committee

1. Membership of Remuneration Committee

Status distribution (Note 1)	Qualification / Name	More than five (5) years of work experience and the following professional eligibility			Compliance with the independence requirement (Note 2)										Number of other public offering companies with part-time membership in their Compensation Committee	Notes End of document.
		Lecturer or higher ranking at the business, legal affairs, financial affairs, or accounting department, or other departments relating to corporate operation of public and private colleges and universities	Judge, prosecutor, lawyer, CPA, or other professionals and technicians that have taken and been approved in national exams required for corporate operation	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8	9	10		
Independent director	Fu Hsiung Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Shih Yang Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Li Hsiu Chen		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Provide director, independent director, or other for Status.

Note 2: When any of the following conditions is met for each member during the two (2) years prior to and during their tenure, please check "✓" in the box underneath each conditional code.

(1) Not an employee of the Company or its associated enterprise.

(2) Not a director or supervisor of the Company or its associated enterprise (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations)

(3) Not a natural person shareholder that holds by himself/herself or by his/her spouse or minor child in someone else's name more than 1% of all circulating shares of the Company or is on the Top 10 shareholding list.

(4) Not a spouse, second-degree relative or third-degree relative of the managers in (1) or persons in (2) or (3).

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstand shares of the Company or that holds shares ranking in the Top 5 in holdings or is the representative being assigned as the director or supervisor of the Company by in accordance with Article 27, Paragraph 1 or 2 of the Company Act (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(6) Not a director, supervisor or employee of other company which has over half of the number of directors' seats or shares with voting rights of the Company and is controlled by the same person (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(7) Not a director, supervisor or employee of other companies or institution which concurrently works as or in a spouse relationship to the chairman, general manager or personnel of relative duties of the Company (The same does not apply, however, if the independent director is set up by the Company or its parent company, subsidiary or subsidiary of the same parent company according to the Act or the local laws and regulations).

(8) Not a director, supervisor, manager, or a shareholder holding more than 5% of shares of a specific company or institution with financial or business activities with the Company.

(9) Not a professional providing services or consultations on business, legal affairs, financial affairs, and accounting at the Company or its associated enterprise or the owner, partner, director, supervisor, manager, and his/her spouse of a sole proprietorship or collaborative company or institution.

(10) None of the conditions indicated under Article 30 of the Company Act.

2. Information on the operational status of the Remuneration Committee

1) The Company's Remuneration Committee has 3 members in total.

2) Current members will serve from May 13, 2019 to April 17, 2022. The Compensation Committee met 4 times (A) in 2019. Qualification and attendance of members are as follows :

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1)	Notes
Convener	Shih Yang Chen	2	0	100%	New appointment
Member	Fu Hsiung Huang	2	0	100%	
Member	Li Hsiu Chen	2	0	100%	

Title	Name	The actual frequency of attendance in the meetings (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A) (Note 1)	Notes
Convener	Ching Yu Liao	2	0	100%	Dismissed
Member	Yung Ming Hsieh	2	0	100%	
Member	Meng Ta Wu	2	0	100%	

Other details to be documented :

1. If the Board of Directors does not accept or modifies suggestions provided by the Remuneration Committee, the date of the Board of Directors meeting, the session number, contents of the proposal, decisions made by the Board of Directors, and management of opinions from the Remuneration Committee by the Company should be stated (If the compensation and rewards approved by the Board of Directors are superior to those advised by the Remuneration Committee, there should be descriptions of the differences and reasons considered) : None.
2. For decisions made by the Remuneration Committee, as long as there are members objecting or having their reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, contents of the proposal, and how opinions from all members and from opposing members are handled should be described : None.

Note 1 : The actual attendance rate (%) is calculated by the number of Remuneration Committee meetings held during service and the actual attendance frequency in the meetings.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022. The 18th Board of Directors' independent director Yung Ming Hsieh and independent director Ching Yu Liao were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

Note 3 : The re-appointment of remuneration committee members has been approved by NO.2 of the 19th Board of Directors on May 13, 2019. The members of the 5th Remuneration Committee are served by independent director Fu Hsiung Huang, independent director Shih Yang Chen and independent director Li Hsiu Chen.

(5) Social responsibility implementation status and deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(I) Does the company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?		V	There is no risk management related policy or strategy has been established yet.	They will be established to reflect actual needs in the future.
(II) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management as authorized by the Board of Directors and reports its progress to the Board of Directors?		V	There are no full-time (part-time) units devoted to promoting corporate social responsibilities yet.	They will be established to reflect actual needs in the future.
(III) Environment Topic 1. Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		1. We are enforcing ISO14001 and OHSAS18001 standards and have been certified accordingly. Each year, we continuously communicate our environmental safety and health policies to employees.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
2. Has the company endeavored to improve the efficiency of resource utilization and used recycled materials which have a low impact on the environment?	V		2. a) The R&D and design are headed toward developing clean processes so that generation of waste and pollution may be reduced. Energy-saving PM servers will be developed and applied. Paper reutilization and resources recycling are promoted. We are also proactively practicing energy-saving and carbon reduction in offices in order to reduce squandering of resources. b) We are promoting e-processes. At present, the electronic system for forms and tables is used to turn paperwork digitalized (e-paper) so that the amount of paper used may be minimized. The waste recycled includes used paper, used wood, used wires, and scrap.	No major deviations.
3. Does the company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?		V	3. There are no current and future climate change potential risks and opportunities have been evaluated yet.	They will be evaluated to reflect actual needs in the future.
4. Does the company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		4. a) The waste gas/air generated from the Company's process is discharged after it goes through the direct fired incinerator and activated carbon absorption treatment. There are also temperature control criteria for air-conditioning in offices. All are meant to accomplish the energy-saving and carbon reduction goal. b) For the carbon dioxide and other greenhouse gas annual emission of the Company, the Company entrusts the "Occupational Safety and Health Association R.O.C." to perform the "Operation Environment Monitoring Report" twice annually. The reports qualify the external verification and will be disclosed on the Company's website. c) Yungtay (China) enforces energy-saving and carbon reduction measures. Besides replacing high-performance energy-saving lights, it is encouraging turning the lights off when they are not in use whenever possible. Sub-meters are installed at electricity-saving points. For new manufacturing facilities, on the other hand, LED energy-saving systems are used. In addition, energy feedback systems are being developed for elevators, with a mean daily electricity conservation rate up to 30%.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
(IV) Social Topic				
1. Has the company developed related management policies and procedures in accordance with applicable laws and regulations and the International Bill of Human Rights?	V		1. The Company has established its human rights policy in accordance with the International Bill of Human Rights and its personnel administration complies with requirements of the Labor Standards Act. There are also related Work Rules and operating procedures in place to protect the rights and benefits of employees on preferred terms. Such information is available on the Intranet of the Company so that employees are aware of their rights and benefits.	No major deviations.
2. Has the company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		2. Applicable rules and regulations governing employee welfare such as the Rules of Salaries Paid to Practitioners, Regulations Governing the Issuance of Rewards and Bonuses, Employee Benefits Regulations, and Regulations Governing Special Leave and Personal Leave are available at the Company to ensure that a sound employee welfare system is in place and bonuses are issued to employees reflective of operational performance for the current year.	No major deviations.
3. Does the company provide employees with a safe and healthy work environment as well as periodic safety and health education?	V		3. a) The Company has been certified by OHSAS18001 for its occupational safety and health management system and labor safety education and employee physical checkups are organized on a yearly basis to precisely safeguard safety and health of employees at work. b) Fire prevention drills and inspection of the healthy nature of group meals occur periodically each year. For tasks at risk of occupational hazards, for the same reason, complete protective equipment is provided.	No major deviations.
4. Has the company established an effective training program that helps employees develop skills over the course of their career?	V		4. The Company highly values talent and manpower development and by passing down experiences within the organization and the performance evaluation and rotation systems at work, it helps employees plan their personal career developments. Yungtay (China) has also developed its E-learning platform where employees have sufficient opportunities to take part in training and learning sessions inside and outside the Company.	No major deviations.
5. Does the company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' rights and consumer appeal procedures?	V		5. The Company markets and labels its products and services consistently in compliance with the government's laws and regulations and applicable industrial regulations.	No major deviations.

Assessed areas	Operational status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Brief descriptions	
6. Does the company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?		V	6. The contracts between the Company and its major suppliers are yet to include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impacts on the environment and society but upon renewal or replacement of contracts, such clauses will be considered to be included.	They will be stipulated to reflect actual needs in the future.
(V) Does the company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?		V	The Company has not yet stipulated standards or guidelines according to the internationally accepted report, prepared corporate social responsibility report.	They will be stipulated to reflect actual needs in the future.
(VI) If the company has its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles : The Company has not established its own CSR principles established according to “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” at the moment.				
(VII) Other Important Information to Help Understand Utilization of Corporate Social Responsibilities : The Company is proactively devoting to doing something for the Earth. It is constantly developing energy-saving products. Besides adopting LED energy-saving lighting systems for new manufacturing facilities, it is also replacing existing lights to high performance energy-saving ones, evaluating the possibility of upgrading or replacing existing air-conditioning servers. In addition, the effort to communicate information on energy-saving and recycling of resources to employees is being reinforced so that green energy and carbon reduction can reach out to every household. For water and noise pollutions resulting from manufacturing processes, on the other hand, workplace testing and water quality inspections are performed by organizations approved by the competent authority on a yearly basis and facilities to help reinforce the control and prevention of pollution are being added each year.				

(6) Ethical corporate management Status and deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
(I) Establishment of ethical corporate management policy and proposal				
1. Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		1. In order to form a corporate culture featuring ethical operations and to reinforce its corporate governance, “the Company has the Behavioral Guidelines for Directors and Managers”, “the Employee Code of Conduct”, “the Ethical Management Principles” , and "Procedures for Ethical Management and Guidelines for Conduct" in place and has put its ethical management policies into force.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
2. Has the company adopted appropriate precautionary measures for operations at a higher risk of unethical conducts indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" or within its scope of business?	V		2. The Company has already specified respective matters indicated in Article 7 Paragraph 2 of "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" in Article 7 of its Ethical Management Principles and Procedures for Ethical Management and Guidelines for Conduct, and has established operating procedures or adopting other measures such as daily communication and terms and conditions in contracts in order to prevent against unethical behavior in business operations at a higher risk.	No major deviations.
3. Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V		3. "The Ethical Management Principles" established by the Company already specify details of unethical behavior, the handling procedure, and the disciplinary and complaint-filing systems available in cases of violations, and "Procedures for Ethical Management and Guidelines for Conduct" was added. In addition, "the Employee Code of Conduct" is meant to prevent against unethical behavior and specifies that employees may not accept treatments, gifts, rebates or embezzle public funds or seek unlawful interests applying their power at work. There are also legal affairs and audit units to consolidate legitimacy of operational activities, the supervisory mechanism, and risk management in all respects, and periodically reviews and revises the relevant prevention policies by the responsible agency.	No major deviations.
(II) Consolidation of ethical corporate management				
1. Has the company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	V		1. The Company conducts business activities in a fair and transparent way. Before starting a business relationship, it takes into consideration the legitimacy and history of unethical conducts of the counterpart and evaluates the counterpart on related risks according to the transaction history. The contract entered into also specifies behavioral criteria and penalties in cases of violations that shall be followed by both parties.	No major deviations.
2. Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		2. The dedicated unit under the Board of Directors is responsible for inspecting if unethical management has occurred and periodically reporting to the Board of Directors on the status.	No major deviations.

Assessed areas	Operational status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Brief descriptions	
3. Has the company established policies to prevent against conflicts of interest, provided appropriate channels for filing related complaints and implemented the policies accordingly?	V		3. The Company has a sound internal audit system, a periodic inspection system, and mechanisms for receiving stated opinions, communication, and risk management in place to maintain an effectively operative internal control system, to prevent against conflicts of interest, and to facilitate effective communications.	No major deviations.
4. To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		4. There are internal procedures available for handling major information. Directors, managers, and people processing important information are asked to sign the confidentiality agreement and are included as part of the Company’s internal control system to be periodically inspected by internal auditors.	No major deviations.
5. Does the company hold internal and external educational trainings on ethical management regularly?	V		5. The Company periodically states the Employee Code of Conduct, the corporate culture, and the Company’s management principles during the pre-service training sessions and workshops for new hires and communicates its belief in ethical management on the Company’s website.	No major deviations.
(III) Reporting System of the Company				
1. Does the company have substantial reporting and incentive systems in place, provide convenient reporting channels, and assign appropriate specialists investigate reported matters?	V		1. Employees can report any conduct in violation of ethical requirements through the Audit Office or other means such as email. The Audit Office is responsible for handling related matters.	No major deviations.
2. Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V		2. The Company has already established the “Regulations for Reporting illegal and Unethical Behavior” and " Procedures for Ethical Management and Guidelines for Conduct" that cover the standard operating procedure for investigating reported matters and related confidentiality mechanisms. The Audit Office handles reported matters and will keep the identity and information of the reporter confidential. Yungtay (China) provides its external mailbox on its website. Reported matters can reach the general manager directly or can be sent directly to the general manager in a written mail. after that, reported matters will be assigned, investigated, and verified.	No major deviations.
3. Does the company assure employees who reported on malpractices that they will not be improperly treated for making such reports?	V		3. The Audit Office and Legal Affairs Division will keep reported matters confidential and assign specialists to handle them so that the reporter will not be treated improperly because of the report.	No major deviations.

<table>
<tr><td rowspan="2">Assessed areas</td><td colspan="3">Operational status</td><td rowspan="2">Deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Brief descriptions</td></tr>
<tr><td>(IV) Reinforced Information Disclosure
Has the company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?</td><td colspan="3">The Company discloses its management belief based on the ethical principle and releases its complete “the Ethical Management Principles” on its website and the MOPS.</td><td>No major deviations.</td></tr>
<tr><td colspan="5">(V) If the company has its own Ethical Management Principles established according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the differences between its implementation and the principles :
The Company has already established its Ethical Management Principles according to “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and applied the underlying elements to its internal control system and related operating procedures. The practical operations do not deviate from what is described in the Principles.</td></tr>
<tr><td colspan="5">(VI) Other important information that helps understand the implementation of ethical corporate management of the company: (e.g. discussion and correction of the Ethical Management Principles established by the company) :
1. Before each of its new products is released to the market, the Company evaluates its parts and components and the product as a whole and obtains respective relevant qualification certificates in order to consolidate ethical management.
2. When organizing purchases, the Company must find multiple suppliers and compare their quotations. Meanwhile, reinforced efforts are made to communicate the importance of moral conduct to procurement staff and procurement tasks are adjusted from time to time as needed.
3. The Company does business with its partners in compliance with required procedures and related units inspect related operations periodically.</td></tr>
</table>

(7) How they may be found shall be disclosed if the company has established Corporate Governance Principles and related regulations :

The Company has established its Corporate Governance Principles according to “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and follows regulatory requirements in all of its operations, with related rules such as the Behavioral Guidelines for Directors and Managers, the Code of Moral Conduct, the Employee Code of Conduct, the Ethical Management Principles, the Guidelines for Electing Board Directors, the Regulations for Independent Directors to Exercise Their Duties, and the Compensation Committee Charter in place. Please visit the MOPS or the Company’s website (www.yungtay.com.tw).

(8) Other important information that is sufficient to boost knowledge of corporate governance

1. The Company and its financial information is transparent. The status of related people in obtaining relevant certifications as required by the competent authority is as follows:
   (1) International internal auditors : 1 at the main management office of Yungtay (China).
   (2) Domestic internal auditors (within the ROC) : 1 at the management division, 1 at the engineering division, and 1 at the main management office of Yungtay (China).
   (3) ROC CPAs : 1 at the building systems administration department.

2. Status of continuing education sought by managers in 2019 :

Title	Name	Duration of continuing education		Organizer	Course title	Hours involved
		Start	End			
General Manager	Shang Yu Tsai	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Vice General Manager	Chung Wen Wang	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Assistant Manager	Tung Sheng Lin	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Assistant Manager	Chieh Jen Chang	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Assistant Manager	Tsun Yao Wu	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Assistant Manager	Wen Chieh He	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Accounting Manager	Wei Chuan Wang	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
		2019/11/28	2019/11/28	Securities and Futures Institute	Taxation trend and practice for Taiwanese business operators entering the Southeast Asian market	3.0
		2019/12/11	2019/12/11		Insider equity trading legal liability and cautions	3.0
		2019/12/17	2019/12/17		Latest IFRSs analysis	3.0
		2019/12/26	2019/12/26		Excel Class II - Scope application chapter for IFRS09 calculation of accounts payable with expected credit loss as case example	6.0
Finance Manager	Jui Hsun Chang	2019/07/29	2019/07/29	The Institute of Internal Auditors - Chinese Taiwan	Trade secret and non-compete	6.0
Audit Manager	Ting Hsuan Yeh	2019/05/16	2019/05/16	The Institute of Internal Auditors - Chinese Taiwan	Latest cases and development of trade secret and non-compete	6.0
		2019/05/29	2019/05/29		How audit supervisor can assist the board of directors and consulting service	6.0

(9) Implementation status of the internal control system

1. Internal Control System Statement: See the page below.
2. When a CPA is authorized to review the internal control system, the Review Report prepared by the CPA shall be disclosed: Not applicable.

Yungtay Engineering Co., Ltd.

Internal Control System Statement

Date : March 25, 2020

For the Company's internal control system of 2019, we would like to declare as follows according to the results of spontaneous inspections:

1. The Company knows that establishing, enforcing, and maintaining an internal control system is the responsibility of the Company's Board of Directors and managers and has such a system in place already. It is meant to reasonably ensure fulfillment of the operational efficacy and efficiency (including profits, performance, and protection of asset security), reliability, timeliness, and transparency of reports, and compliance with applicable laws and regulations, among other goals.
2. The internal control system has its inherited restrictions that cannot be overcome with improved design. An effective internal control system can also only reasonably ensure the fulfillment of the three goals stated above and its effectiveness may change as the environment or situation changes. There is a self-surveillance mechanism, however, it is the fact that it is built inside the internal control system of the Company that helps the Company take a corrective action against deficiencies confirmed.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The items adopted in the Governing Regulations for determining the internal control system are the five constitutional elements of the internal control system divided according to the management and control process:
   1. control environment, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several items. Please refer to "Governing Regulations" for details.
4. The Company has adopted the above-mentioned determining items and evaluated the design and effectiveness of its internal control system.
5. Pursuant to the results of the above-mentioned evaluations, the Company is of the view that the design and implementation of its internal control system as of December 31, 2019 (including its supervision and management of subsidiaries), including its awareness of the extent by which the operating effects and efficiency goals are fulfilled, reliability of reports, and compliance with relevant laws and regulations, are such that it is effective and capable of reasonably ensuring that the aforementioned goals can be achieved.
6. This Statement constitutes a major part of the Company's Annual Report and the Company's Prospectus that are made available to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid published contents.
7. This Statement was approved at the meeting of the Company's Board of Directors on March 25, 2020 with no directors expressing dissent out of the 8 Directors in attendance.

Yungtay Engineering Co., Ltd.

Chairman : Tso Ming Hsu

General Manager : Shang Yu Tsai

(10) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the most recent year up to the date the Annual Report was printed, main shortcomings and improvements : None.

(11) Important decisions reached in shareholders' meetings and made by the Board of Directors in the most recent year up to the date the Annual Report was printed.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 7 of the 18th Board of Directors meeting	2019/01/18	1. Approving the setting up of the Review Committee according to law, and elected independent director Ching Yu Liao, independent director Yung Ming Hsieh, and independent director Shih Yang Chen as members of the committee.	1. The Review Committee was convened on January 28, 2019 to verify and review the offeror's identity and financial condition, the fairness of the acquisition condition, and the reasonability of the funds sources. In addition, the results of the verification and review shall be announced in accordance with the law, and the verification situation and the members' clear opinions for consent or opposition shall be reported to the Board of Directors.
No. 8 of the 18th Board of Directors meeting	2019/01/29	1. Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law. 2. Hitachi shall amend its minimum acquisition ratio for public tender offer from 21.66% to 38.3223% which was the minimum acquisition ratio indicated in the binding proposal dated October 26, 2018.	1. The statutory matters have been announced and made into a written to report to the Financial Supervisory Committee for reference and copy to the relevant securities institutions. 2. The resolution of the Board of Directors was not passed.
No. 9 of the 18th Board of Directors meeting	2019/03/15	1. Approving the 2018 annual business report and financial statements. 2. Determining the 2018 earnings distribution proposal. 3. Approving the 2018 Internal Control System Statement. 4. Determining the time and venue of the 2019 annual shareholders' meeting. 5. Determining the cause or subjects for convening the 2019 annual shareholders' meeting. 6. Approving the appointment and dismissal of the accounting manager. 7. Approving the appointment and remuneration of CPAs. 8. Approving the remuneration of chairman	1. It was already brought forth in the shareholders' meeting on June 18, 2019 and endorsed accordingly. 2. It was approved that the cash dividend per share for 2018 was NT$1.8 and the proposal was resolved at the shareholders' meeting on June 18, 2019. 3. The Internal Control Statement was already submitted to the FSC and published in the 2018 Annual Report. 4. The 2019 annual shareholders' meeting was already held on June 18, 2019. 5. Cause or subjects for convening the annual shareholders' meeting were announced in the Market Observation Post System. 6. It was already declared with the competent authority and announced.
2019 first extraordinary shareholders' meeting	2019/04/18	1. Full re-election of the 19th Directors and Independent Directors.	1. The 19th directors have been elected to 9 (including 3 independent directors) for a term from April 18, 2019 to April 17, 2022.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 1 of the 19th Board of Directors meeting	2019/05/03	1. Recommend the new chairman of Board of Directors.	1. The director Tso Ming Hsu is elected as the chairman.
No. 2 of the 19th Board of Directors meeting	2019/05/13	1. Approving the appointment and dismissal of the general manager. 2. Re-appointment of members of the Remuneration Committee 3. Determining distribution of 2018 remunerations for employees and directors. 4. Approving financing limits. 5. Approving the amendment to Rules and Procedures of Board of Directors Meetings. 6. Approving the amendment to Procedures for Acquisition or Disposal of Assets. 7. Approving the amendment to Procedures for Capital Lending to Others And Endorsements & Guarantees. 8. Approving the amendment to Standards for the Internal Control Systems of Shareholder Services Units.	1. It was enforced according to the decision. 2. The members of the 5th Remuneration Committee are served by independent director Fu Hsiung Huang, independent director Shih Yang Chen and independent director Li Hsiu Chen. 3. It was approved that remunerations to be paid in cash to employees and directors for 2018 will be NT$38,249,471 and NT$4,249,941, respectively ; the distribution ratio was 4.05% and 0.45%, respectively. 4. The contract over the financing limits was renewed. 5. It was reported at the shareholders' meeting on June 18, 2019. 6. It was resolved at the shareholders' meeting on June 18, 2019. 7. It was resolved at the shareholders' meeting on June 18, 2019. 8. The revised Standards for the Internal Control Systems of Shareholder Services Units was enforced.
2019 Shareholders' meeting	2019/06/18	1. Ratification of 2018 financial statements. 2. Ratification of 2018 earnings distribution proposal. 3. Approving the amendment to Articles of Incorporation. 4. Approving the amendment to Procedures for Acquisition or Disposal of Assets. 5. Approving the amendment to Procedures for Capital Lending to Others and Endorsements & Guarantees.	1. It was approved. 2. It was approved that the cash dividend of NT$1.8 per share for 2018 would be issued. July 15, 2019 was set to be the ex-dividend base date by Board of Directors and cash dividends were issued on July 30, 2019. 3. It was announced on the Company's website. 4. The revised Procedures for Acquisition or Disposal of Assets was enforced and announced in the MOPS and on the Company's website. 5. The revised Procedures for Capital Lending to Others and Endorsements & Guarantees was enforced and announced in the MOPS and on the Company's website.
No. 3 of the 19th Board of Directors meeting	2019/06/18	1. Determining this year's ex-dividend base date and issuance date.	1. It was determined that July 15, 2019 would be the ex-dividend base date and cash dividends were issued on July 30, 2019.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
No. 4 of the 19th Board of Directors meeting	2019/07/02	1. Requesting the honorary chairman to return the remuneration. 2. Appointment of Honorary Chairman Tso Li Hsu as Senior Advisor of the Company.	1. Resolved to postpone the discussion until the next meeting. 2. Resolved to postpone the discussion until the next meeting.
No. 5 of the 19th Board of Directors meeting	2019/08/08	1. Requesting the honorary chairman to return the remuneration. 2. Payment of retirement allowance for the honorary chairman during his tenure as chairman.	1. It was approved. 2. It was approved.
No. 6 of the 19th Board of Directors meeting	2019/11/07	1. Approving the amendment to Ethical Corporate Management Best Practice Principles. 2. Evaluating the independence of CPAs. 3. Approving the amendment to Rules and Procedures of Board of Directors Meetings. 4. Appointment recognition and remuneration of the corporate governance officer.	1. It will be brought forth in the shareholders' meeting on June 18, 2020 for a decsion. 2. Evaluation outcome : Independence is fulfilled. 3. It will be brought forth the shareholders' meeting on June 18, 2020 for a report. 4. Resolved to postpone the discussion until the next meeting.
No. 7 of the 19th Board of Directors meeting	2019/12/12	1. Approving the 2020 Annual Business Operation Plan. 2. Approving the 2020 Audit Plan. 3. Approving the 2020 donations to related party. 4. Approving the appointment and remuneration of managers of the Company. 5. Adoption by resolution of the procedures governing the submission of material matters of major subsidiaries to the Board of Directors of the parent company for deliberation and release of material information.	1. The approved 2020 Budget Proposal is being enforced. 2. The approved Audit Plan is being enforced. 3. The donations have been processed in accordance with the resolution.
No. 8 of the 19th Board of Directors meeting	2020/03/25	1. Approving the 2019 annual business report and financial statements. 2. The 2019 earnings distribution proposal. 3. Determining distribution of 2019 remunerations for employees and directors. 4. Approving the 2019 Internal Control System Statement. 5. Determining the time and venue of the 2020 annual shareholders' meeting. 6. Determining the cause or subjects for convening the 2020 annual shareholders' meeting.	1. It will be brought forth in the shareholders' meeting on June 18, 2020 and endorsed accordingly. 2. Resolved to postpone the discussion until the next meeting. 3. It was approved that remunerations to be paid in cash to employees and directors for 2019 will be NT$45,354,153 and NT$5,039,350, respectively ; the distribution ratio was 3.60% and 0.40%, respectively. 4. The Internal Control Statement was already submitted to the FSC and will be published in the 2019 Annual Report. 5. The 2020 annual shareholders' meeting will be held on June 18, 2020. 6. Cause or subjects for convening the annual shareholders' meeting were announced in the Market Observation Post System.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		7. Evaluating the independence of CPAs and the appointment and remuneration of CPAs. 8. Approving the amendment to "Rules of Procedure for Shareholders' Meeting" of the Company. 9. Approving the amendment to "Rules and Procedures of Board of Directors Meetings" of the Company. 10. Approving the amendment to "Audit Committee Charter" of the Company. 11. Approving the amendment to "Compensation Committee Charter" of the Company. 12. Approving the amendment to regulations governing the "Internal Control System" and "Internal Audit Implementation Rules" of the Company. 13. Approving the amendment to "The 2020 Internal Audit Plan" of the Company. 14. Approving the addition to "Procedures for Ethical Management and Guidelines for Conduct" of the Company. 15. The amendment to "Regulations Governing Compensation for Directors and Managers" and the addition to "Professional Executive Compensation Management Rules" of the Company. 16. The amendment to "The Approval Authority Table" of the Company. 17. Approving the appointment, dismissal and remuneration of the factory director of elevator production division. 18. The remuneration of managers of the Company.	7. Evaluation outcome : Independence is fulfilled. It was approved. 8. It will be brought forth in the shareholders' meeting on June 18, 2020 for a decsion. 9. It will be brought forth the shareholders' meeting on June 18, 2020 for a report. 10. It was announced in the MOPS and on the Company's website. 11. It was announced in the MOPS and on the Company's website. 12. The revised internal control system were enforced. 13. The revised Internal Audit Plan is being enforced. 14. "Procedures for Ethical Management and Guidelines for Conduct" will be brought forth the shareholders' meeting on June 18, 2020 for a report. 15. Resolved to postpone the discussion until the next meeting. 16. Resolved to postpone the discussion. 17. It was enforced according to the decision. 18. Resolved to postpone the discussion until the next meeting.
No. 9 of the 19th Board of Directors meeting	2020/04/15	1. 2019 earnings distribution proposal.	1. The resolution of the Board of Directors was not passed.
No. 10 of the 19th Board of Directors meeting	2020/04/28	1. Determining the 2019 earnings distribution proposal. 2. Shareholder Hezhu Investment Ltd. proposed "The 2019 earnings distribution of NT$2.2 in cash dividend per share proposal".	1. It was approved that the cash dividend per share for 2019 was $2.2 and the proposal will be brought forth in the shareholders' meeting on June 18, 2020. 2. The shareholder proposal met the statutory qualification requirements and the resolution was passed.

Board of Directors/ Shareholders' meeting	Date	Descriptions of important matters	Implementation status
		3. Shareholder Nenghung Investment Holding Co., Ltd. proposed "Waiver of the non-competition restriction on directors proposal".	3. Resolved to postpone the discussion until the next meeting.
		4. The amendment to the cause or subjects for convening the 2020 annual shareholders' meeting.	4. Resolved to postpone the discussion until the next meeting.
No. 11 of the 19th Board of Directors meeting	2020/05/07	1. Shareholder Hezhu Investment Ltd. proposed "The 2019 earnings distribution of NT$2.2 in cash dividend per share proposal".	1. The shareholder withdrew the proposal and the Board of Directors passed without objection.
		2. Shareholder Nenghung Investment Holding Co., Ltd. proposed "Waiver of the non-competition restriction on directors proposal".	2. The shareholder withdrew the proposal and the Board of Directors passed without objection.
		3. The amendment to the cause or subjects for convening the 2020 annual shareholders' meeting.	3. The shareholders withdrew their proposals, and therefore it was no need to amend the cause or subjects for convening the 2020 annual shareholders' meeting.
		4. Approving the amendment to "Regulations Governing Compensation for Directors and Managers" of the Company.	
		5. Approving the remuneration of managers of the Company.	
		6. Approving the amendment to "Corporate Governance Best Practice Principles" of the Company.	6. It was announced in the MOPS and on the Company's website.
		7. Approving the amendment to "Regulations Governing the Internal Controls of Shareholder Service Units" of the Company.	7. The revised internal control system were enforced.
		8. Approving financing limits.	8. The contract over the financing limits will be renewed in succession.

(12) Main contents of different opinions of directors that are recorded and stated in writing on important decisions made by the Board of Directors in the most recent year and up to the date the Annual Report was printed :

1. 2019/1/29 (No. 8 of the 18th Board of Directors Meeting) Director Chao Ching Hsu, Director Wei Tsung Chang and independent director Shih Yang Chen expressed objection to the proposal of Verifying the statutory matters required by Article 14 of the Regulations Governing Public Tender Offers for Securities of Public Companies according to law.
   The opinion of director Chao Ching Hsu :
   (1) The tender offer proposed by Hitachi violates the binding letterpreviously provided by Hitachi to the Company. The board of directors shall oppose the tender offer or will otherwise violate the duty of loyalty.
   (2) Hitachi reduced its acquisition ratio to 21.66%, which is clearly not the ratio of 38.32% indicated in the Binding letter (binding proposal). The board of directors shall request Hitachi to amend the ratio to 38.32% indicated in the Binding letter (the binding proposal).
   (3) The fairness opinion provided by Hitachi lacks independency. (The accountant who issued the fairness opinion is the junior partner/consultant of Lee and Li Attorney at Law, which is the law firm that issued the legal opinion letter.
   (4) The offer price in the amount of NT$ 60/ per share is not reasonable.
   (5) The board of directors deliberately excluded acquirers other than Hitachi. The opposing directors clearly violate the duty of loyalty to shareholders.

(6) The reasonability and legality of tender offer are doubtful.

The opinion of director Wei Tsung Chang :

(1) The assessment of price didn't consider the industrial characteristics of the business of the Company in China and Taiwan.
(2) The purchase price locates at the lower part of the reasonable price range in the fairness opinion.
(3) Other companies have provided tender offer opportunities, however, the Company didn't consider them.
(4) The company's future growth is in a good trend, which was not reflected in the assessment.
(5) Hitachi's minimum number of shares to be acquired in the tender offerprospectus dated January 16, 2019 is lower than the minimum number of shares to be acquired in the binding proposal submitted on October 26, 2018.

The opinion of independent director Shih Yang Chen :

(1) It is doubtful whether the accountant who issued the fairness opinion provided by Hitachi is independent.
(2) The evaluation report and the fairness opinion issued by independent expert didn't disclose the source of documents, parameters and information used and didn't evaluate their integrity, correctness and reasonableness, and thus was not complied with Paragraph 3 and 4 of Article 5 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
(3) The evaluation report and the company opinion letter failed to comply with Article 10 of Standards for Valuation Services No. 11 Business Valuation as it did not conduct normalization adjustment, that is, failed to adjust the income and expense of China business to reasonable standard of continuous operation, and failed to include the increment value of real estate when calculating the value.
(4) Today's share price of GFC (崇友) is NT$ 57.9 /per share while the share price of the Company is NT$59.7/ per share. In addition, the Company has China market. The offer price by Hitachi in the amount of NT$ 60/ per share is probably on the low side.
(5) The minimum numbers of shares to be acquired indicated in the binding proposal of Hitachi on October 26, 2018 is 38.32% of the issued shares of the Company (excluding treasury shares). It shall not be amended to 21.66% of the issued shares of the Company (excluding treasury shares), which is the minimum numbers of shares to be acquired indicated in the notice received by the Company from Hitachi on January 16, 2019 for the tender offer.
(6) On page 18 of the tender offer prospectus, the title of former Chairman, Chou-Li Hsu, is mistakenly typed as the Chairman. This typo shall be corrected.
(7) On October 30, 2018, Otis submitted the "non-binding proposal" in accordance with former resolution of the board regarding Hitachi, expressed the willingness to acquire the shares of the Company at the price of NT$63/ per share and applied to conduct due diligence. However, it was rejected by the majority the board of directors.
(8) The Company has obtained Hitachi's "binding proposal" on October 26, 2018 but has not yet to provide the real estate evaluation report for reference.

2. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) Independent director Shih Yang Chen expressed objection to the 2018 annual financial statements proposal.
   The opinion of independent director Shih Yang Chen : Regarding the ordinance of Honorary Chairman's position and remuneration, since the ordinance have not yet been approved by the Board of Directors and are not listed on the Level of Authority, it shall not be listed as expense but shall be listed as accounts receivable.

3. 2019/3/15 (No. 9 of the 18th Board of Directors Meeting) Independent director Shih Yang Chen expressed objection to the the remuneration of Chairman proposal.
   The opinion of independent director Shih Yang Chen : Due to the Hitachi Elevator Taiwan Co., Ltd.'s public tender offer, it recommended that this proposal shall be postponed for future discussion.

4. 2019/5/13 (No. 2 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed objection to the appointment and dismissal of the general manager proposal.
   The opinion of independent director Fu Hsiung Huang :

(1) The Board of Directors has just completed the reelection, shall maintain the stability of the Company's operations. C hange the general manager hastily will affect the stability and continuity of the Company's operations.

(2) The original general manager Mr. Tsai performed steadily and did not have any discomfort. The Chairman of the Board did not provide sufficient information for the successor to the Board of Directors. The inadequacy of this motion has been increased accordingly.

(3) Furthermore, there is no assessment of future operating results and no consideration of the cost of outgoing staff. I am unable to agree with the motion of change of the general manager of the Company in the absence of necessary information.

(4) The Company shall strengthen the operating performance of the Yungtay's china subsidiary and improve the loss situation, instead of replacing the parent company's general manager then affecting the original stable operations of the parent company.

5. 2020/04/29 (No. 10 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed reservation to the 2019 earnings distribution proposal.
The opinion of independent director Fu Hsiung Huang :

(1) For caution's sake, it is recommended to extend the observation of the impact of the COVID-19 epidemic on the Company's operations within the legally permitted time frame. This will give the board more time to gather sufficient information for discussions, assessments, and adoption of a resolution in the board meeting scheduled for May 7 and thereby place equal emphasis on the rights and interests of the Company and all its shareholders.

(2) The original proposal recommended a cash dividend of NT$ 2.4 per share. This amount was revised downward to NT$ 2.1 per share by the management team and then upward to NT$ 2.2 per share in said meeting based on a motion by a shareholder with holdings of 1% or more. However, the board of directors should actively assess each proposal to ensure stable operations based on a full consideration of all factors instead of passively going along with proposals. The board should further clearly express its stance to fulfill its responsibility and give shareholders a clear understanding of its position. It seems therefore more appropriate to adopt another resolution upon discussion in the upcoming board meeting on May 7. This does not necessarily involve a downward revision of the original proposal.

(3) The motion regarding dividend distribution moved by a shareholder with holdings in excess of 1% is based on the same facts as this proposal. What resolution is adopted by the shareholders after deliberation in the convened meeting? This matter lies within the scope of corporate governance. The Company must therefore make adequate arrangements to ensure inclusion in the shareholders' meeting agenda pursuant to relevant laws and handling in a lawful and orderly manner.

6. 2020/05/07 (No. 11 of the 19th Board of Directors Meeting) Independent director Fu Hsiung Huang expressed reservation to the amendment of "Regulations Governing Compensation for Directors and Managers" of the Company.
The opinion of independent director Fu Hsiung Huang :

(1) The remunerations for managers shall fully reflect the performance and contributions. Therefore, if related mechanisms are reasonably adjusted or the deficiency of the existing system is resolved to fulfill the above-mentioned purpose and to accordingly exercise the effect of encouraging outstanding staff, they shall be supported.

(2) For the revisions made to the Regulations Governing Compensation for Directors and Managers as proposed by the Company's management, the Company failed to specify the issues to be addressed passively or the efficacy to be fulfilled proactively. Therefore, it is hard to recognize the necessity of the revisions. The adjustment of the compensation brackets,for example, lacks defined evaluation criteria in terms of the considerations and the objectives. This is particularly true when it comes to the upper limit of the adjustment.

(3) Despite the salary survey report provided by an external unit and the fact that the consolidated financial statement from Mainland China is included as the evaluation bases, a majority of business or products of the subsidiary company in Mainland China differ from the Company and so is the scope of sampling involved. And how are the revenue and gains or losses in Mainland China relevant to the operational performance evaluation of the Company's directors and managers is not specified, either. For example: Are managers of the Company also in charge of running the subsidiaries in Mainland China? Were the compensations for the managers adjusted accordingly in the past when subsidiaries in Mainland China suffered operational deficits?

(4) Despite the fact that we respect the individual salary adjustments for managers delegated by the Company, the adjustments are based on the requirement under Paragraph (1) after the revisions.

For consistency reasons, the same stance applies also to the substantial personnel compensation proposal.

(13) Summary of resignations and dismissals of the Company's chairman, general managers, and heads of accounting, financial, internal audit, corporate governance officer and R&D in the most recent year and up to the date the Annual Report was printed:

Title	Name	Date of inauguration	Date of dismissal	Reason for resignation or dismissal
Chairman	Ray Chun Su	2018/6/28	2019/04/18	Re-election of directors
General Manager	Fong Chieh Tsai	2017/6/16	2019/5/13	Position adjustment
Heads of accounting	Jun Xu Chen	2014/3/20	2019/3/31	Position adjustment
Heads of R&D	Ming Chu Chen	2015/05/01	2019/07/31	Position adjustment

(IV) Public Expenditure on CPAs

1. When the non-audit public expenditure paid to CPAs, their firms, and their associated enterprises accounts for more than one-fourth of the audit public expenditure, the values of both audit and non-audit public expenditures and contents of non-audit services shall be disclosed : None.
2. When the accounting firm is changed and the audit public expenditure in the year of replacement is reduced compared to that in the preceding year, the audit public expenditures before and after the replacement and the reasons shall be disclosed : None.
3. When the audit public expenditure is reduced by more than 10% from the preceding year, the value reduced and its ratio and cause shall be disclosed : None.

Currency unit: NTD thousand

Name of accounting firm	Name of CPA	Audit public expenditure	Non-audit public expenditure					CPA Inspection period	Remark
			System design	Business registration	Human resources	Other (Note)	Subtotal		
Jiang Sheng & Co., CPAs.	Sheng Ping Lin Jen Chi Chen	5,050	0	55	0	500	555	2019/01/01 ~ 2019/12/31	

Note: The non-audit public expenditure shall be listed separately by the service item. When "Other" of non-audit public expenditure reaches 25% of the total value of non-audit public expenditure, contents of the service shall be listed in the remark column : Transfer Pricing Report.

(V) Information on Replacement of Accountants

No CPAs have were replaced over the past two (2) years and afterwards. Therefore, this is not applicable.

(VI) Positions held in the firm that the CPA works for or its associated enterprises in the most recent year by the Chairman, the general manager, and managers in charge of financial or accounting affairs : None.

(VII)Changes in the equity of directors, managers, and major shareholders

Title	Name	2019		As of April 20 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Director	Tso Ming Hsu	None	None	None	None
Director	Ray Chun Su (Resigned in April 2020)	None	None	None	None
Director	Hitachi, Ltd.	None	None	None	None
Representative of juristic-person director	Makoto Nagashima	None	None	None	None
Director	Fong Chieh Tsai	(20,000)	None	None	None
Director	Chao Ching Hsu	None	None	None	None
Director	UT Park View, Inc. (HSBC bank trust account) (Resigned in January 2020)	None	None	–	–
Representative of juristic-person director	Wei Tsung Chang (Resigned in January 2020)	None	None	–	–
Independent Director	Fu Hsiung Huang	None	None	None	None
Independent Director	Shih Yang Chen	None	None	None	None
Independent Director	Li Hsiu Chen	None	None	None	None
Director	Ever link Co., Ltd. (Dismissed in April 2019)	None	None	–	–
Representative of juristic-person director	Wann Lai Cheng (Dismissed in April 2019)	None	None	–	–
Director	Orchid Ventures Limited (Citibank trust account) (Dismissed in April 2019)	None	None	–	–
Representative of juristic-person director	Chao Ching Hsu (New appointment as a natural-person director in April 2019)	None	None	–	–
Independent Director	Ching Yu Liao (Dismissed in April 2019)	None	None	–	–
Independent Director	Yung Ming Hsieh (Dismissed in April 2019)	None	None	–	–
General Manager	Shang Yu Tsai (New appointment in May 2019)	None	None	None	None
Building System Vice General Manager	Chung Wen Wang	200	None	None	None

Title	Name	2019		As of April 20 of the year	
		Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged	Increase/ decrease in the number of shares held	Increase/ decrease in the number of shares pledged
Chairperson's Office Assistant Manager	Feng Ming Wu (Dismissed in May 2019)	None	None	–	–
Administration Division Assistant Manager	Tung Sheng Lin	(1,505)	None	None	None
Elevator Production Assistant Manager	Chen Kuan Chiang (Dismissed in March 2020)	200	None	–	–
Elevator Production Assistant Manager	Hsun Chi Chang (New appointment in April 2020)	–	–	None	None
Quality Assurance and Management Assistant Manager	Tsun Yao Wu	626	None	None	None
Advanced Technology Office Assistant Manager	Ming Chu Chen (New appointment in August 2019, dismissed in April 2020)	(7,145)	None	None	None
Research and Development Assistant Manager	Wen Chieh He (New appointment in August 2019)	None	None	None	None
Elevator Business Assistant Manager	Chieh Jen Chang	(729)	None	None	None
Accounting Manager	Chun Hsu Chen (Dismissed in March 2019)	19,626	None	–	–
Accounting Manager	Wei Chuan Wang (New appointment in April 2019)	None	None	None	None
Financial Manager	Jui Hsun Chang	None	None	None	None
Major Shareholder	Herzu Investment Ltd.	14,971,428	36,500,000	399,000	10,800,000
Major Shareholder	Hitachi Elevator Taiwan Co., Ltd.	114,409,932	None	527,000	None

Note 1 : The counterparties in the transfer or pledge of equity are not stakeholders.

Note 2 : The re-election of the 19th directors has been completed in advance in the first extraordinary shareholders' meeting on April 18, 2019, and the term of office is from April 18, 2019 to April 17, 2022, and the director Tso Ming Hsu is elected as the chairman. The 18th Board of Directors' director Ever link Co., Ltd., director Orchid Ventures Limited (Citibank trust account), independent director Ching Yu Liao and independent director Yung Ming Hsieh were dismissed after the first extraordinary shareholders' meeting on April 18, 2019.

(VIII) Information of relationship among Top 10 shareholders who are related, spouses, or relatives within the second degree of kinship of each other

April 20, 2020

Name (Note 1)	Personal shares		Spouse or minor child-owned shares		Total shares held in other people's names		The title or name and relationship among shareholders in the Top shareholding list who are related, spouse to each other, or relatives within the second degree of kinship (Note 3)		Notes
	Quantity	Ratio	Quantity	Ratio	Quantity	Ratio	Name	Relationship	
Hitachi Elevator Taiwan Co., Ltd. Representative: Yoshitake Kanehara	114,936,932	27.98%	0	0%	0	0%	Hitachi, Ltd.	Parent company	
Herzu Investment Ltd.	66,892,428	16.28%	0	0%	0	0%	None	None	
Hitachi, Ltd. Representative: President Toshiaki Higashihara	31,817,168	7.74%	0	0%	0	0%	Hitachi Building Systems	Subsidiary	
Otis Park View, Inc.	24,932,000	6.07%	0	0%	0	0%	None	None	
Hitachi Building Systems Co., Ltd. Representative: President Mitutomi Shinya	15,908,571	3.87%	0	0%	0	0%	Hitachi, Ltd.	Parent company	
Nenghung Investment Holding Co., Ltd.	15,500,000	3.77%	0	0%	0	0%	None	None	
Marathon-London Group Trust for Employee Benefit Plans	8,448,000	2.06%	0	0%	0	0%	None	None	
First Securities (HK) Nominee Limited	5,415,000	1.32%	0	0%	0	0%	None	None	
Hubble International Fund Investment Account of Hubble	5,257,000	1.28%	0	0%	0	0%	None	None	
Marathon-London International Investment Trust I	3,861,000	0.94%	0	0%	0	0%	None	None	

Note 1: All of the Top 10 shareholders shall be listed. If they are institutional shareholders, the names of the institution and its representative shall both be listed.

Note 2: The shareholding ratio is calculated separately by the individual concerned, his/her spouse, minor child, or in another person's name.

Note 3: The shareholders listed in the foregoing include institutional entities and natural persons. The mutual relationships shall be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(IX) Comprehensive shareholding ratio

April 20, 2020 Unit : Share , %

Reinvested business (Note)	The Company		Directors, managers, and directly or indirectly controlled businesses		Combined	
	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio	Quantity of shares	Shareholding ratio
Yungtay Engineering Ltd.	11,183,510	78.72%	3,022,570	21.28%	14,206,080	100.00%
Taiwan Calsonic Co., Ltd.	12,802,000	20.00%	41	0%	12,802,041	20.00%
Yungchun Capital, Inc.	8,500,000	100.00%	0	0%	8,500,000	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	6,528,000	51.00%	0	0%	6,528,000	51.00%
Evest Corporation	7,007,172	41.22%	25	0%	7,007,197	41.22%
Shang Ying Investment Co., Ltd.	33,500,000	100.00%	0	0%	33,500,000	100.00%

Note: Reinvested businesses of the Company where the equity method is applied.

IV. Fund-raising

(I) Capital and Shares

(1) Source of capital stock

Year/ Month	Issuing price	Approved capital stock		Paid-in capital stock		Notes		
		Quantity (thousand shares)	Value (thousand dollars)	Quantity (thousand shares)	Value (thousand dollars)	Capital Shares source	Share value written off by assets other than cash	Other
1966/7	1000	600	6000	600	6000	Original investment	—	—
1968/11	1000	1000	10000	1000	10000	Capital increase in cash	—	—
1973/6	1000	2000	20000	2000	20000	Capital increase in cash	—	—
1977/6	1000	2500	25000	2500	25000	Earnings transferred capital increase	—	—
1978/7	1000	4000	40000	4000	40000	Earnings and capital reserve transferred capital increase	—	—
1979/5	1000	5000	50000	5000	50000	Earnings transferred capital increase	—	—
1980/5	10	7000	70000	7000	70000	Earnings transferred capital increase	—	—
1981/8	10	10500	105000	10500	105000	Earnings transferred capital increase	—	—
1982/9	10	14700	147000	14700	147000	Earnings transferred capital increase	—	—
1983/1	10	19700	197000	19700	197000	Capital increase with capital reserve	—	—
1983/11	10	23640	236400	23640	236400	Earnings transferred capital increase	—	—
1984/9	10	28368	283680	28368	283680	Earnings transferred capital increase	—	—
1985/12	10	34042	340416	34042	340416	Earnings transferred capital increase	—	—
1986/10	10	37446	374458	37446	374458	Earnings transferred capital increase	—	—
1987/10	10	41190	411903	41190	411903	Earnings transferred capital increase	—	—
1988/12	10	50000	500000	50000	500000	Capital increase in cash and earnings transferred capital increase	—	—
1989/9	10	60000	600000	60000	600000	Earnings transferred capital increase	—	—
1990/9	10	100000	1000000	100000	1000000	Capital increase in cash and earnings transferred capital increase	—	—
1991/9	10	130900	1309000	130900	1309000	Earnings and capital reserve transferred capital increase	—	—
1992/7	10	172000	1720000	172000	1720000	Earnings and capital reserve transferred capital increase	—	—
1993/6	10	216370	2163700	216370	2163700	Earnings and capital reserve transferred capital increase	—	—
1994/7	10	265570	2655700	265570	2655700	Earnings and capital reserve transferred capital increase	—	—
1995/7	10	400000	4000000	307150	3071500	Earnings transferred capital increase	—	—
1996/7	10	400000	4000000	338680	3386800	Earnings transferred capital increase	—	—
1997/7	10	400000	4000000	373000	3730000	Earnings transferred capital increase	—	—
1998/7	10	410820	4108200	410820	4108200	Earnings transferred capital increase	—	—
2004/7	10	460000	4600000	410820	4108200	Only enhanced the approved capital stock	—	—

Note: The Company did not issue new shares in 2019 up to the date the Annual Report was printed.

Type of shares	Approved capital stock			Remark:
	Circulating shares	Shares yet to be issued	Total	
Common stock	410,820,000	49,180,000	460,000,000	Listed stock

Note: As of April 20, 2020, the subsidiary held 2,129,800 shares in the Company.

(2) Shareholder structure

April 20, 2020

Shareholder structure / Quantity	Government agency	Financial institution	Other institutional investors	Individual	Foreign institution and individual	Total
Number of people	0	0	180	29,779	140	30,099
Quantity of shares held	0	0	219,977,300	58,098,414	132,744,286	410,820,000
Shareholding ratio	0.00%	0.00%	53.55%	14.14%	32.31%	100.00%

(3) Diversification of equity

April 20, 2020

Shareholding classification	No. of shareholders	Quantity of shares held	Shareholding ratio
1 ~ 999	23,149	2,209,734	0.54%
1,000 ~ 5,000	5,335	10,945,520	2.66%
5,001 ~ 10,000	818	6,074,953	1.48%
10,001 ~ 15,000	259	3,209,957	0.78%
15,001 ~ 20,000	134	2,419,447	0.59%
20,001 ~ 30,000	132	3,219,927	0.79%
30,001 ~ 50,000	82	3,160,315	0.77%
50,001 ~ 100,000	61	4,494,221	1.09%
100,001 ~ 200,000	36	5,046,725	1.23%
200,001 ~ 400,000	23	6,828,112	1.66%
400,001 ~ 600,000	14	7,061,629	1.72%
600,001 ~ 800,000	11	7,397,163	1.80%
800,001 ~ 1,000,000	6	5,594,423	1.36%
1,000,001 ~ 2,000,000	19	25,755,732	6.27%
2,000,001 ~ 4,000,000	11	28,295,043	6.89%
4,000,001 ~ 10,000,000	3	19,120,000	4.65%
Above 10,000,000	6	269,987,099	65.72%
Total	30,099	410,820,000	100.00%

(4) List of major shareholders

April 20, 2020

Name of major shareholder \ Shares	Quantity	Ratio
Hitachi Elevator Taiwan Co., Ltd.	114,936,932	27.98%
Herzu Investment Ltd.	66,892,428	16.28%
Hitachi, Ltd.	31,817,168	7.74%
Otis Park View, Inc.	24,932,000	6.07%
Hitachi Building Systems Co., Ltd.	15,908,571	3.87%
Nenghung Investment Holding Co., Ltd.	15,500,000	3.77%
Marathon-London Group Trust for Employee Benefit Plans	8,448,000	2.06%
First Securities (HK) Nominee Limited	5,415,000	1.32%
Hubble International Fund Investment Account of Hubble	5,257,000	1.28%
Marathon-London International Investment Trust I	3,861,000	0.94%

(5) Related information of market price per share, net value, earnings, and dividends for the past two (2) years

Currency unit : NTD

Items \ Year			2018	2019	March 31, 2020
Market value per share	Highest		60.30	70.40	65.00
	Lowest		46.00	59.10	52.00
	Mean (Note 1)		53.32	63.08	61.38
Net value per share	Before distribution		27.50	27.35	27.52
	After distribution		—	—	—
Earnings Per Share	Weighted average number of shares (Note 2)		408,690,200	408,690,200	408,690,200
	Earnings per share		1.65	2.30	0.36
Dividend per share	Cash dividend		1.8	2.2 (Note 3)	—
	Free share assignment	Earnings-based share assignment	—	—	—
		Capital reserve-based share assignment	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of return on investment	Price to earnings ratio		32.31	27.42	—
	Price to dividend ratio		29.62	28.67	—
	Cash dividend yield		3.38%	3.49%	—

Note 1: The annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: The number of shares held by subsidiaries is already removed from the weighted average number of shares.

Note 3: The cash dividend per share for 2019 is NT$2.2 that is going to be discussed in the current shareholders' meeting.

Note 4: Data from financial statements prepared according to the International Financial Reporting Standards are adopted in this table.

(6) Company's dividend policy and implementation status

1. Dividend policy:

   According to Article 29-2 of the Articles of Incorporation:
   "The Company shall issue dividends and bonuses at 50% or above of after-tax net earnings of the immediate year and cash shall account for 50% or above of the dividends issued in order to reflect the maturing operating environment for primary products of the Company and to take care of operational demand; the above-mentioned ratios involved in the distribution, however, may be adjusted reflective of related factors such as operational or investment needs in order to meet the actual demand." If there are no major changes to the operating environment and funds available, the dividend policy for the coming year will be the same as those stated in the Company's Articles of Incorporation.
2. Distribution of dividends intended to be discussed in the current shareholders' meeting:

   Cash dividend of NT$2.2 is intended to be distributed through this shareholders' meeting.

(7) Impacts of free share assignment intended through the current shareholders' meeting on the Company's operational performance and earnings per share

No free share assignment is intended to be discussed in the current shareholders' meeting; therefore, it is not applicable.

(8) Remunerations for employees and directors

1. (1) If the Company has profits for the year, at least 1% shall be set aside to be remunerations for employees. The Board of Directors shall decide whether they will be issued in form of share or cash. The Company may have the Remuneration Committee to submit the value of above-mentioned profits to the Board of Directors for a decision over appropriating no greater than 1% of it to be the remunerations for directors. The distribution of remunerations for employees and directors shall be reported in the shareholders' meeting.
   The Company shall appropriate for write-off of the loss carried forward, if applicable, before setting aside remunerations for employees and directors proportionally as mentioned in the preceding paragraph.

   (2) In cases of earnings determined for the year, besides the appropriations for writing off historical losses and for paying taxes as required by law, 10% shall be set aside as the legal reserve first and then the special reserve before dividends are paid. For the remainder, the following procedures are followed with regard to the distribution.
   1. Bonuses for shareholders.
   2. Retained earnings.

   The proportions involved in the distribution mentioned in the preceding paragraph are to be determined by the Board of Directors and endorsed through the shareholders' meeting.
2. Basis for estimating the amount of remunerations for employees and directors, basis for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period : The amount of remunerations for employees and directors for the current period is estimated according to the requirements in the Articles of Incorporation. In case of any discrepancy between the actual distributed amount and the estimated amount, it will be handled as changes in accounting estimates and the booked value will be adjusted for the year based on the decision made in the shareholders' meeting.

3. Distribution of remunerations from earnings in 2018 and 2019:

Unit: NTD

	2018				2019
	Actual distributed amount decided in shareholders' meeting	Estimated amount approved by the Board of Directors	Difference	Cause for the difference	Estimated amount approved by the Board of Directors
I. Distribution:					
1. Remunerations distributed to employees in cash	38,249,471	38,249,471	0	—	45,354,153
2. Remunerations distributed to employees in stock					
(1) Quantity of shares	0	0	0	—	0
(2) Value	0	0	0	—	0
(3) Ratio in the after-tax income of the current term and ratio in the overall remunerations assigned to employees	—	—	—	—	—
3. Remunerations for directors	4,249,941	4,249,941	0	—	5,039,350
II. Earnings per share :	1.65	1.65	0	—	2.30

Note : The earnings per share are based on the data from financial statements prepared according to the International Financial Reporting Standards.

4. When there is difference between the actual distributed amount of remunerations for employees and directors (including the number, value, and price of shares distributed) and the recognized remunerations for employees and directors in the preceding year, the difference, cause for the difference, and how it is handled shall also be specified : The difference for the preceding year is NT$10,153,246, which is an estimated difference and will be booked through adjustment in 2019.

(9) Buyback of the Company stock : None.

(II) Corporate bond, special stock, global depositary receipt, employee stock option certificate, restricted employee shares and M&A or acceptance of transferred shares of another company for issuance of new shares : None.

(III) Implementation of capital utilization plan

No securities were issued or private placement of securities occurred in the most recent year in order to get the capital.

V. Operational Status

(I) Business Contents

(1) Scope of Business

1. Major business operation items:
   (1) Design, manufacture, sale, installation, repair and maintenance of elevators, food delivery machines, escalators, electric walkways, and elevators.
   (2) Sales agency and maintenance & repair for machines constructed overseas or domestically.
   (3) Real estate rental business.
2. Business Proportion

Product Name	Purpose	Business Proportion (%)
Lifts for passenger, cargo, or patient beds and the relevant parts	Building rapid delivery	93.39%
Construction machinery	Construction project	6.42%
Real estate lease	Real estate lease	0.19%

3. Project development products and technology
   (1) Small-machine-room, machine-room-less and home elevator models satisfying New CNS standards
   (2) Main unit of steel cable with plastic wrap
   (3) Control system hardware for home elevator
   (4) Traction pulley and rotor independent design
   (5) Door equipment with lock
   (6) Elevator slider for self-rescue
   (7) Elevator absolute position system (APS)
   (8) Elevator AI intelligent group control
   (9) Internet of Things (IoT) (3rd generation remote alarm system)
   (10) High-speed elevator (3.0m/s) control system development

(2) Industry Overview:

1. The Industry's Current Status and Development

With regard to the aspect of the overall economy, last year (2019), due to the trade conflicts between the U.S. and China, between U.S. and EU, and between Japan and Korea, the geopolitics and comparison base were of relatively greater impact, consequently, the domestic economic growth rate slowed down in comparison to the previous year (2018). Nevertheless, despite the international trade conflicts, our nation was able to benefit from the effect of order transfers for increased export and due to the increase of the return of investments of Taiwanese business operators returning to Taiwan, the domestic production capacity was increased, and the investment, export and consumer performance were higher than expected, such that the domestic economic indicated mild growth. The Directorate-General of Budget, Accounting and Statistics respectively upgraded the economic growths for the 4th quarter and the whole year of last year (2019) to 3.31% and 2.71%, and the economy in 2019 demonstrated quarterly increasing trend. Furthermore, the business indicator had changed from yellowish-blue light for a consecutive period of 10 months in November of last year (2019) to green light, following which it continued to indicate green light in December, and both the leading and simultaneous indicators also indicated increasing trend. All of above demonstrated that the domestic economy was recovering gradually, and the central bank continued to maintain a low interest rate policy, which was beneficial to the overall financial stable development, and companies held optimistic view on the future economic outlook.

Regarding the real estate market, last year (2019), the overall real estate market indicated increasing and stable volume, and the market was recovering. The real estate purchase volume continued the increasing trend from the previous year (2018) and also reached a record high in the last five years. The total number of real estate transactions reached more than 300,000 units, with an annual growth of 8.0%, indicating continuous recovery for three years consecutively. The stable recovery of real estate market increased the confidence of constructors in the launch of new projects, and last year (2019), both the annual growth rates of the total area of nationwide building permits and commencement area indicated increasing trend. The overall national bank loan and building mortgage balance were NT$7.4125 trillion and NT$2.0944 trillion respectively, both reached record highs over the past years, indicating recovery of the real estate market. Furthermore, the central bank has reached the resolution of maintain the low interest rate with easing monetary policy. The mortgage interest rate continues to be at low level and the M1B annual growth rate is still higher than M2, such that the market fund was at sufficient level. The central government also extends the schedule incentive for reconstruction of hazardous and old buildings, continued to launch urban renewal development and reconstruction of hazardous and old buildings policy. The return of Taiwanese business operators is beneficial to the commercial and industrial real estate markets, and it is expected to bring profiting effect to the real estate market in the future. Accordingly, the domestic elevator (replacement and reconstruction) market opportunities are expected to grow continuously and stably.

In general, despite that the real estate market is under the optimistic and gradual recovery outlook in recent periods, nonetheless, due to the high price offer from sellers, the transfer of profit level is reduced, and buyers tend to have be reluctant in pursuing high prices, consequently, there are still discrepancies in the price recognition between sellers and buyers, which is unfavorable to the overall transaction performance. As a result, there is still uncertainty in whether the real estate market will continue to recovery. Furthermore, as the volume of remaining properties in the market indicates a decreasing trend, it is still at the high level of 75,000 house units. In the future, the supply aspect of the real estate market continues to face the pressure from the deal closure and remaining properties. Obviously, the residential market still needs longer time for the adjustment between the supply and demand, and the future real estate market still needs to be monitored and handled with care.

With regard to the market in China, last year (2019), the GDP in China increased by 6.1% from the same period of previous year, and the expected target was achieved. However, its rate of growth was at a record low over the past twenty years, indicating that the economy in China was facing greater downturn pressure, and the economic structure entered a deep adjustment stage. Most of local areas continued to hold the principle that real properties were purchased for own use rather than for flipping properties such that real estates were not used as a means to simulate the economy in a short term; consequently, due to the regional policy, the overall real estate market was maintained under stable trend. The overall elevator market indicated a growth of approximately 6.5% from 2018. As for this year (2020), due to the impact of the epidemic of COVID-19, the economy in China is expected to rebound at the second half of the year, and the real estate sector will be the first to reflect such rebound. As the purchase restriction policy in various parts of the local areas is expected to be lifted consecutively, the elevator market scale will also have another round of growth.

2. The Relationship of the Upstream, Midstream, and Downstream

The elevator industry incorporates the machinery and electrical fields. The upstream primarily comprised of iron, steel, non-ferrous metals, casting, machinery, and electrical components suppliers. The downstream primarily comprised real estate developers and builders in the construction industry.

3. Various Product Development Trends

With respect to the segmented market, since modern buildings focus on overall aesthetic design and flexible utilization, the demand for machine-room-less and small-machine-room elevators which are capable of saving the shaft space and increasing the building use benefit has increased gradually. In addition, as Taiwan is heading toward the aging society, the market for small home elevators will also continue to expand. Furthermore, as the cost of land in urban areas increases, to amortize the cost, constructors tend to launch high-rise buildings; consequently, the demand for high-speed and large loading capacity elevators also increases.

As for the technical function aspect, to satisfy the market competition demands, Yungtay has invested in the development, certification and standardization of elevator parts complying with the new international standards. In addition to list the technologies related to energy-saving, environmental protection, elevator intelligent technology and IoT technology as the primary development focuses, the technologies related to diverse safety detection protection system, AI intelligent group control and VR Training for repair and maintenance are also key directions for future innovation and application. Moreover, to cope with the impact of the epidemic of COVID-19, the functions of antibacterial, sterilization, air purification, contactless elevator calling for elevators with epidemic prevention functions will become new development direction.

4. Competition Status

Recent real estate market in Taiwan recovers, and the demand for various construction projects increases. The elevator manufacturers compete fiercely with each other, and the market prefers buyer-set prices. Due to the industrial features, builders in the construction industry tended to have long-term cooperation elevator manufacturers, and it is relatively more difficult to strive partnership with non-long-term cooperative construction companies. However, the company will continue to endeavor to develop new customers.

In 2019, for the real estate market in China, the adjustment and control policies continued to be executed, and the rigorous and stable approach was gradually implemented from the central to the local. In addition, such approach is expected to continue to be enforced in the future. Nevertheless, due to the impact of the epidemic of COVID-19, the regional policy and purchase restriction policy at various parts of the local areas are expected to be lifted consecutively. The real estate market and elevator market are expected to show an increasing trend. Nevertheless, the competition among business operators in various sectors will become more severe. Yungtay will focus on deep rooting in the new elevator market in China and will also be devoted to the elevator repair and maintenance market, additional installation of elevators for old buildings market and overseas market. We plan to excel further and seek the revenue growth points.

(3) Technology and R&D Status

1. R&D expenses invested in the last year and as of the publication date of this annual report.

Unit: NTD thousand

	2019	End of April 2020
R&D Expenses	474,324	136,296

2. Research and Development Outcome

2.1 Product R&D results

(1) Small-room elevator extended development case

※ The new control (Y12/Y15) system of small mechanical room elevator has been certificated for mass production. Further classification of product specifications, reduce cost and improve competitiveness.

※ Expanded application of GSD-MM1

(2) Development project of the roomless elevator

Development of the use of roomless elevator VAG to replace the imported traction machine has been certificated, and it has been mass-produced.

(3) Development of high-speed elevators

※ Completed high-speed elevator 7m/s whole unit test, obtained corresponding certificates for new model A1 certificate with respect to the requirements for high-speed elevators.

(4) Development of the home elevator

※ VAN1 home elevator (450, 0.75m/s) has been certificated for mass production.

(5) Development of PM host for replacement and renovation of the elevators

※ Self-made PM host for the replacement and renovation of small mechanical room elevator (800-1000kg, 1.75m/s) has been certificated.

(6) Development of new control RX63N system

※ Standard elevator, roomless elevator and home elevator, which are applicable to the full MAP model control system, have been certificated for mass production.

※ Optimizing the current products and converter technology to develop the control system of new generation, therefore the safety and market competitiveness of elevator can be approached.

(7) Development of the escalator system

※ Reducing the cost of Series E commercial escalators and the design changes have been completed.

※ Development of the corresponding control system in cooperation with public transit heavy loading escalator has been completed.

※ Development of Series P-Li public transportation escalator series for airport, bus hub, light rail, high speed rail etc. without need for heavy load has been launched for mass production.

※ Newly added safety board to prevent short-circuit, handrail with multi-level protection, option for installation of wireless remote alarm etc., and have been completed.

(8) Craftsmanship development

※ Standard elevator artisan update, NEW CNS shaft development.

※ Residential elevator e'IQ-R/Vans-R brand new shaft design.

※ Commercial elevator e'IQ-V/Vans-V brand new car artisan design.

(9) Component development

※ Chang Gung long stair walking automatic landing device.

※ Development of the buffer F series.

(10) Development of the simplified group management.

※ Group control scheduling program is integrated into the MPU PCB, in order to save group control hardware, as well as simplify the group control scheduling.

2.2 Technology Development Results

(1) Test on the software logic drives for master program has been partially completed, and a specification for software testing has been built.

(2) Maintaining by mobile phones is equivalent to online control and update.

(3) Development of the SCOPE remote dynamic monitoring system is fulfilled, and the manpower deployed due to on-site service for checking the status of elevator can be saved.

(4) ABZ encoder makes the adjustment-free starting torque realized through the improvement of software algorithm.

3. Future R&D Plans

3.1 Product R&D Plans

(1) New specification extension of the roomless elevator
※ Development of the VAG large load-bearing roomless elevator with the high speed at 2.5m/s.
※ Development of the roomless elevator 2000kg, 2m/s, model MAP expansion, increased scope of sales.

(2) Development of the small-room elevator expansion
※ Development of the small-room elevator 2000kg, 3m/s, using GSC-LH host.
※ Development of the small-room elevator 2500kg, 2.0 m/s.

(3) Development of PM host system for the high-speed elevator 4.0m/s
※ Development as well as certification of Self-made PM host for YHVF high-speed elevator 1600kg, 4.0m/s.
※ Development as well as certification of the converter of high-speed elevator.

(4) Development of the home elevator NEW CNS VAN3
※ Replaced GRL-SM main unit with GRL-SM1, door parts complying with the new regulations, in order to arouse the market competitiveness.
※ Pit depth of the hoistway reduces to 1250mm in order to meet the market demands.

(5) Development in compliance with new regulations
※ The parts development, certification, and standardization for the machine categories provided by the new CNS (EN81-20) regulation. It can be used directly when the new regulation is released and implemented.

(6) Development of the disk motor series
※ Evaluation of the roomless elevator 1050kg, 2.0m/s structure, adoption of externally purchased host.
※ Development of the roomless elevator 1050kg, 2.0m/s, adoption of externally purchased host.

(7) Development of the cable with plastic wrap series of products
※ Development of the small-room elevator 1050kg, 1.75m/s, adoption of GSD-MM3 host.

(8) Development of the home elevator
※ Development of shallow pit model.
※ Development of forced drive home elevator.
※ Development of backpack type of home elevator.

(9) Development of the escalator project
※ Harbin Metro Line 2, Phase 1 Project
※ Taoyuan Airport T3 Terminal Building Project
※ Taiwan MRT extension line project
※ Shanghai Jinjiang Hitachi EX escalator with truss preservation

(10) Host machine development
※ Development of GSC-ML2 host machine, for small-room (1: 1)passenger elevator, load at 1050kg, speed at 1.0, 1.75, 2.0m/s.

※ Development of GSC-LL host machine expansion, for small-room passenger elevator, load at 2000kg, speed at 3.0m/s.
※ Development of GSC-LL2 host machine, for small-room passenger elevator, load at 2000kg, speed at 3.0m/s, and load at 1350kg, speed at 4.0m/s.
※ Development of GDM-LH host machine, for small-room passenger elevator, load at 2000kg, speed at 7.0m/s.
※ Development of GDM-SS host machine, for roomless passenger elevator, load at 450-630kg, speed at 1m/s.
※ Development of GDM-MM host machine, for roomless passenger elevator, load at 630-1050kg, speed at 1-2m/s.
※ Development of GDM-MM3 plastic wire rope host machine, for small-room passenger elevator, load at 630-1050kg, speed at 1-2m/s.
※ Development of GSS-LL1 host machine, for roomless passenger elevator, load at 1800-2000kg, speed at 2.5m/s.
※ Development of GDM-ML host machine, for roomless passenger elevator, load at 1150-1600kg, speed at 2.5m/s.
※ Development of GDM-LL host machine, for roomless passenger elevator, load at 1800-2000kg, speed at 2.5m/s.
※ Development of the disc-type traction machine (1050kg - 2.0m/s & 1600kg - 1.75m/s).
※ Development of the new door machine for all models.

(11) Revision of the new control system chip
※ Upgrade of the chip performance to enhance the computation speed.
※ Reduction of the number of control panel chips to optimize the costs.
※ Addition of the communication interface to be configured for the IoT.

(12) Development of the elevator IoT system
※ Functions of remote alarm and data monitoring systems.
※ Function of graphic transmission.

(13) Intelligent elevator system E-Pass function development
※ Energy saving: Destination level calling, FT3, energy feedback.
※ Preventive maintenance: IoT.
※ AI Dispatch: voice-control calling, destination level, mixed alarm.
※ Safety: Security mode, viewable for emergency, slider for self-rescue, UCMP, ACOP, brake force detection, car disinfection, ALP.
※ Security function: Facial recognition, CRT, calling via mobile phone.

(14) Y20 control system development, complying with requirements of GB7588.1/2, applicable to full specification entire unit
※ Completed development of core control system related PCBA and software, and completed the testing of whole unit of a selected power level.
※ Other control cabinet specification and surrounding systems for announcement and implementation of new national standards.

(15) Development of the peripheral electrical components
※ Development of the large-capacity ALP; and increase of the corresponding load up to 1800kg, maximum lift distance up to 80m, as well as the maximum speed up to 15m/min.
※ Development of wireless video emergency intercom system to develop market demand.

3.2 Technical development plans

(1) Absorption of the new AI technology results in arising of the convenience and comfort
※ Facial recognition is applied to identity authentication, identification techniques for inspecting the abnormal motions, objects, as well as the video of passenger traffic in the elevator cabin.
※ Voice-control calling technology and mobile phone calling technology development

※ Conjunction of the identification technology as above and the electronic card system of mobile phone, cooperates with destination level calling, provides more friendly and the convenience using experience.

(2) Research of Absolute Position APS in the hoistway

※ Using CAN communication to collect elevator cabin absolute position in real-time.

※ Improvement of the elevator control technology to reduce the failures caused by positioning abnormalities.

(3) Tool automation and smartization

※ Test tools (test bench automation, custom PCB repair tools).

※ Maintenance tools (trouble shooting, countermeasure alert, Program update).

(4) Equivalent safety evaluation of the new suspension wraps plastic-steel cable CTP.

(4) Long- and Short-term Business Development Plans

1. Short-term:

(1) Continue the R&D for high performance and energy efficiency and develop products with construction cost saving, improved space use efficiency, and aesthetic building design advantages.

(2) Provide premium services to actively seize the elevator maintenance and repair market and increase company revenue.

(3) In the future, the cross-strait regulations will tend to become more consistent. The product differentiation will be reduced and product module designs and research and developments will be integrated.

(4) Improve production and machining technique, optimize cost.

(5) Promote currently existing commercial elevators, home elevators, and launch new models, new technologies.

2. Long-term:

(1) With the trend of aging society, the demand for additional installation of elevators in old buildings increases, and Yungtay will continue to cultivate the market of additional installation of elevators for old buildings.

(2) To improve the living environmental quality, to ensure residential safety, to expand the domestic demands and to simulate the economic growth, the government actively promotes urban renewal and encourages reconstruction of hazardous and old buildings. Accordingly the demand for the replacement and renovation of old elevators also increase. The Company will continue to list such demand as a key development item.

(3) With the improvement of the living standard, home elevator is also an important segmented market, and there will be breakthrough and innovation in the product and sales model.

(II) Overview of Market, Production, and Sales

(1) Market Analysis

1. Product (service) sales region and market share

The company's products are mainly sold domestically. The main competitors in the domestic elevator (escalator) market include Taiwan Mitsubishi, GFC, Fuji-sunrise, Taiwan OTIS, and Fujita. The market share of Yungtay is approximately 25%. The main competitors in China's elevator (escalator) market include KONE, Shanghai Mitsubishi, OTIS, Hitachi, thyssenkrupp, Schindler, OTIS Electric, Kongli, and LIO LIFT.

2. Future supply and demand and growth on the market

In recent years, the housing market in Taiwan has transformed from the investment-oriented to the self-residence-oriented. Construction companies have gradually grasped the products that meet the needs of the self-residence-oriented market after various verifications. With the support of rigid demand for the self-residence-oriented and the return of Taiwanese business operators, construction companies have finally regained their confidence with their projects, and gradually get rid of the gloomy and pessimistic atmosphere, since the entire housing market has continuously bloomed. Therefore, demands for the elevator market are also promising to be expected. Nevertheless, there are still a large number of newly built houses for sale in the market, and the supply pressure is not reduced. The factors such as the gap between buyers and sellers in price perception will restrict the overall supply growth of the housing market. Also, in terms of public construction, routes of MRT in the metropolitan continue to expand, and it will become an inevitable fact that people would like to take up their residency nearby those MRT routes. This will bring up the housing market near the MRT routes and boost the market demands. In addition, the central continues to promote and execute relevant urban renewal and hazardous and old building reconstruction laws and policies, and the renovation of the old elevators will still have a certain level due to market demands year by year. For the market in China, with the epidemic of COVID-19 mitigates gradually, various areas in China are entering the resume-to-work stage gradually, and lands previously cumulated and pending for development will also be gradually released by local governments. This is particularly true in that the local government's intention to promote land development after the epidemic is expected to become strong. The land release price may be adjusted downward; however, it will be a great opportunity for the real estate industry to obtain lands of high price-performance ratio. Accordingly, this is a great opportunity for elevator enterprises and the elevator market will also demonstrate growth.

3. Sales volume forecast and supporting basis

Items	Expected Sales Volume	Basis
Elevators (Escalators)	15,409 units	The sales volume is estimated based on the existing installation contracts in 2020 that has not yet been shipped, the business climate, the market competition status, and the historical sales records.

4. Competitive niche

In addition to developing green, energy-efficient, high performance and space-saving elevator products as well as providing multiple exterior designs and functions in order to enhance the brand image and added value of the product; the company is also committed to product quality stabilization, technical contents, individualized craftsmanship design, and cost reduction to keep Yungtay's product prices competitive.

In response to the increasing need for old elevator replacement and renovation in Taiwan, Yungtay has effectively integrated the elevator design, production, and installation procedures to effectively decrease the construction time needed, reduce inconvenience to customers, and help to win contracts. In addition, China will promote new generation small machine room, machine-room-less, and automated escalator products in order to satisfy the different levels of customer demands using more precise product positioning.

Yungtay (China) primarily focuses on the sales of general residential elevators (escalators) the Chinese market as well as increasing the quality and stability of its products. Yungtay pays particular attention to product and service upgrades in terms of energy efficiency, high performance, smartization, and user-friendliness, and committed to strive for the residential market share via clear positioning and product differentiation.

In addition, with the support of the government in China, the market for additional installation of elevators for old buildings and the market for replacement of old elevators in the region of China are expected to grow rapidly. Accordingly, there is a great market demand potential in additional installation of elevator for old buildings, renovation, modification and replacement of old elevators. Yungtay (China) will also utilize its advantages based on the existing product lines to root in such potential markets deeply.

5. Development the Prospective Advantages and Disadvantages as well as Countermeasures

(1) Favorable Factors

① MRT projects are being completed one after another, which will help fuel housing demand in the surroundings of MRT stations.

② The demand for maintenance, repair, and replacement is increasing each day with the increase in the number of elevators used.

③ The central continues to promote and execute relevant urban renewal and hazardous and old building reconstruction laws and policies.

④ Government subsidizes residential apartments for additional installation of barrier-free elevators to secure residential safety.

⑤ The cost of land in the metropolitan area has increased, and so has the ratio for high-speed & high-floor elevators.

⑥ Return of Taiwanese business operators drive employment and income, improving purchase capability and commercial building and factory construction demands.

⑦ Low interest rate era and sufficient market fund are advantageous to the development of real estate market.

⑧ Local governments in the region of China gradually release previously cumulated lands for development in order to simulate the economy with the real estate market.

⑨ Because of the promotion of the real property guarantee items and squatter settlement reconstruction, it is expected that the squatter settlement volume in 2020 is approximate 5.5 million units.

⑩ The demand for old elevators maintenance in China is increasing, and the relational regulations are becoming stricter more than before, which is conducive to the maintenance and repair business of original manufacturer.

⑪ Construction of the Guangdong-Hong Kong-Macao Greater Bay Area in the region of China indirectly drives the elevator market.

⑫ Additional installation of elevators for old buildings and renovation of old elevators in the region of China receive supports from the government, and the two markets for old buildings and elevators will increase significantly.

(2) Unfavorable Factors and Countermeasures

① Newly constructed and pending for sale remaining house units are still at high level and slow population & economic growth will reduce elevator demands.

Countermeasure: Continue to shorten the production process and rationalize the cost in order to reduce costs and maintain stable profits.

② Fierce price competition.

Countermeasure : Strengthen R&D capabilities; provide more precise product positioning; improve the technological content of energy conservation, security, humanization and intelligence, etc.; and increase the added value and differentiation of products.

③ Increased labor costs, rising raw material prices, and lower profit margins.
Countermeasure : Improve product research and design capability, optimize product cost.

④ Epidemic in the region of China affects short-term business operation.
Countermeasure : Work remotely, online conference, enhanced personnel management to reduce the impact of the epidemic.

(2) Purposes and production processes of main products

1. Main purpose of elevator: transport of people and objects inside the building.
2. Production and preparation processes: Take order→Design begins→Components are produced→Assemble→Check quality→Bundle and pack→Ship→Install→Debug→ Check quality→Inspection upon completion→Deliver→Care Service

(3) Supply of main raw materials

Name of raw material	Supplier	Supply status
Stainless steel sheet	Huayang, Yuandong, Yili, Jiangsu Daming, Wuxi Puxin, Haimen Senda	Sufficient
Elevator guideway material	Gaorong, Wanxin, Zhejiang Baoli, Zhangjiagang Shengtong, Malazi (Jiangsu), Suzhou Saiweila	Sufficient
Iron material, iron sheet	Chunyuan, Longtai, Wanxin, Zejiang Wuchan, Shanghai Zhanzhi, Shanghai Jialang, Shanghai Huixing, Shanghai Baht, Nantong Haixun, Shanghai Fenggu	Sufficient
Casting	Baoqiao, Xingtuo, Jiashan Xiangrong, Jiashan Shuangyu, Xuancheng Hualing	Sufficient
Electrical appliance, wire, cable	Hongjiang, Weishuo, Shanghai Beienke, Nantong Milante, Jiangsu Jiangyang, Shanghai Feihang	Sufficient
Mechanical components of elevators	Xukui, Jiyi, Xingda, Qunxian, Changgang	Sufficient

(4) Names of customers with 10% or more purchases or sales and the values and ratios of purchases or sales in any of the most recent two (2) years; please also describe the reason for the increase or decrease : None.

(5) Production volumes/values in the past two (2) years

Unit: NTD thousand

Production volume/value / Main products	2018			2019		
	Throughput (Unit)	Volume (Unit)	Value (NT$1,000)	Throughput (Unit)	Volume (Unit)	Value (NT$1,000)
Elevators and components	28,000	10,183	9,014,540	28,000	12,055	9,271,195

(6) Sales volume/values in the past two (2) years

Unit: NTD thousand

Sales volume/value \ Main products	2018				2019			
	Importation		Exportation		Importation		Exportation	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Elevators and components	12,453	13,921,599	—	20,007	12,339	12,772,312	—	39,809
Other	—	917,022	—	—	—	906,227	—	—
Total	—	14,838,621	—	20,007	—	13,678,539	—	39,809

(III) Employees

Year		2018	2019	Current year as of March 31, 2020
Number of employees		5,250	5,138	5,081
Mean age		37.35	37.43	37.56
Mean seniority in service		9.23	10.04	10.11
Education Distribution Ratio	PhD	0.2%	0.1%	0.1%
	Master	1.8%	2.1%	2.1%
	College and University Graduate	54.6%	57.5%	57.6%
	Senior High School	39.3%	38.1%	38.0%
	Below Senior High School	4.1%	2.2%	2.2%

(IV) Information on Environmental Protection Expenditure

1. **The total value of losses borne due to polluting the environment in the past two (2) years up to the date the Annual Report was printed:** None.
2. **Countermeasure**
   1. Areas with improvement measures to be adopted
      (1) Improvement plan: Follow the OHSAS18001 environmental management proposal.
      (2) Expected expenditure on environmental protection in the coming three years: NT$30 million.
   2. Areas without countermeasures
      (1) Reasons for not adopting improvement measures: None.
      (2) Pollution: None.
      (3) Possible losses and compensation: None.

(V) Labor-Management Relations

1. **The total value of losses borne due to labor-management disputes in the past two (2) years up to the date the Annual Report was printed :** None.

2. **Labor-management agreement**

The Company has been believing in a harmonious and reciprocal labor-management relationship that helps each other grow. Therefore, the labor-management relationship has been harmonious. The Company works hand in hand with its people to jointly bring about and share fruitful results. Examples are given below:

1. Labor-management negotiations are held so that both parties keep the communication channel clear.
2. The "Employee Retirement Reserve Supervisory Committee" is established to handle matters concerning the pension fund.
3. There is the Employee Welfare Committee and the Company supports establishment of various types of societies to help organize respective recreational activities, tours, and welfare events so that both employees and their dependents may enjoy the benefits provided by the Company.
4. Remunerations for employees are enforced so that employees get to share operational fruits.
5. Yungtay (China) follows the requirements of the local Social Insurance Law by setting aside social security fees and benefits such as those for the five (5) social insurances and one (1) housing fund.
6. We have the educational training center to organize various types of management and specialized educational training and help employees constantly receive new knowledge and keep growing. Continuing education and training available for employees in 2019 are shown below:

Training program	Availability	Total headcount of participants	Total hours involved	Overall cost
Professional functional training	215	2,739	65,788	4,081,673
General education and cadre management training	37	529	9,732	1,114,856
Safety and health education	49	2,243	16,385	823,757
Total	301	5,511	91,905	6,020,286

7. The Company keeps a good labor-management relationship and the parties have smooth communications. There are no possible expenses on disputes in the future.

(VI) Important Contract

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract – Providing the related techniques of elevator, the installation of elevator and escalator, adjustment, and check, maintenance, quality assurance and remote monitoring diagnosis.	Japan Hitachi, Ltd.	2014.09.30~ 2024.09.29	US$50 is paid for each unit of the elevators or escalators sold or disposed of separately. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

Nature of contract	Client	Start/end dates of contract Date	Main contents	Restrictions
Technical Partnership Contract - High-speed inverter control elevator	Japan Hitachi, Ltd.	2015.06.01~ 2020.05.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The royalties are paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract – Machine-roomless elevator	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract – Large-scale freight elevator	Japan Hitachi, Ltd.	2017.05.22~ 2022.05.21	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	
Technical Partnership Contract - High-speed inverter control elevator (HVF3 voltage type)	Japan Hitachi, Ltd.	2016.11.01~ 2021.10.31	US$300 is paid for each unit sold or disposed of separately during the contract period. The total is paid once a year within the four (4) months following settlement at the end of each December and within four (4) months following expiration of this contract.	

VI. Overview of Financial Status

(I) Concise balance sheet, comprehensive income statement, and accountants check opinion for the last five (5) years

(1) Concise Balance Sheet (Merger Information)

Unit: NTD thousand

Items \ Year		Financial data of the past 5 years (Note 1)					Current year as of March 31, 2020 Financial Information (Note 1)
		2015	2016	2017	2018	2019	
Current Assets		20,787,408	18,453,359	15,523,043	13,904,643	14,396,688	14,095,745
Real estate, manufacturing facilities and equipment (Note 2)		5,914,132	6,138,314	5,811,956	5,419,088	4,984,299	4,903,506
Intangible Assets		370,532	284,841	185,577	52,622	38,324	42,716
Other Assets		3,429,499	3,019,554	2,408,261	2,273,691	2,248,837	2,227,277
Total assets		30,501,571	27,896,068	23,928,837	21,650,044	21,668,148	21,269,244
Current Liabilities	Before dispatch	16,374,563	14,200,765	11,199,914	9,449,408	9,616,587	9,290,020
	After dispatch	17,483,777	15,186,733	12,021,554	10,188,884	-	-
Non-current Liabilities		1,917,718	1,784,798	963,987	729,047	626,216	477,125
Total liabilities	Before dispatch	18,292,281	15,985,563	12,163,901	10,178,455	10,242,803	9,767,145
	After dispatch	19,401,495	16,971,531	12,985,541	10,917,931	-	-
The equity that belongs to the client of the parent company		12,036,742	11,731,725	11,583,418	11,295,795	11,235,419	11,305,362
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		250,581	256,332	264,835	270,267	275,042	275,039
Retained earnings	Before dispatch	6,644,515	7,073,078	7,133,037	6,987,662	7,229,227	7,375,303
	After dispatch	5,535,301	6,087,110	6,311,397	6,248,186	-	-
Other interests		1,102,857	363,526	146,757	(923)	(307,639)	(383,769)
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Non-controlling interests		172,548	178,780	181,518	175,794	189,926	196,737
Total equity	Before dispatch	12,209,290	11,910,505	11,764,936	11,471,589	11,425,345	11,502,099
	After dispatch	11,100,076	10,924,537	10,943,296	10,732,113	-	-

Note 1: The financial information from 2015 to 2019 has been verified and certified by a CPA; the financial information for the first quarter of 2019 has been reviewed by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

Note 3: During 2019 and first quarter of 2020, the subsidiaries holds a total of 2,129,800 company shares.

(2) Concise Consolidated Statement of Profit or Loss (Merger Information)

Unit: NTD thousand

Year / Items	Financial Information for the Last Five Fiscal Years (Note 1)					Current year as of March 31, 2020 Financial Information (Note 1)
	2015	2016	2017	2018	2019	
Operating Revenues	23,098,740	19,581,652	16,752,217	14,858,628	13,718,348	2,853,174
Gross Margin	6,199,400	5,647,641	4,454,863	3,435,738	3,267,378	766,156
Operating Profit and Loss	2,333,904	2,137,969	1,478,923	975,634	849,757	233,746
Non-business income and expenditure	160,571	47,182	69,980	79,035	395,400	20,181
Net profit before tax	2,494,475	2,185,151	1,548,903	1,054,669	1,245,157	253,927
Unit that continued operations Net Profit for Current Period	1,878,790	1,584,489	1,157,169	731,743	979,449	152,887
Losses from units that stopped operations	-	-	-	-	-	-
Net Profit (Loss) for Current Period	1,878,790	1,584,489	1,157,169	731,743	979,449	152,887
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	(265,238)	(756,421)	(298,728)	(146,162)	(265,343)	(76,130)
Total Consolidated Gains and Losses for the Current Period	1,613,552	828,068	858,441	585,581	714,106	76,757
Net profit attributable to Parent Company Owners	1,849,671	1,554,995	1,127,886	674,747	939,668	146,076
Net profit attributable to Non-controlling interests	29,119	29,494	29,283	56,996	39,781	6,811
Total consolidated gains and losses attributable to Parent Company Owners	1,584,433	798,574	829,158	528,585	674,325	69,946
Total consolidated gains and losses attributable to Non-controlling interests	29,119	29,494	29,283	56,996	39,781	6,811
Earnings Per Share	4.53	3.80	2.76	1.65	2.30	0.36

Note 1: The financial information from 2015 to 2019 has been verified and certified by a CPA; the financial information for the first quarter of 2019 has been reviewed by a CPA.

Note 2: During 2019 and first quarter of 2020, the subsidiaries holds a total of 2,129,800 company shares.

(3) Concise Balance Sheet (Individual Information)

Unit: NTD thousand

Items \ Year		Financial Information for the Last Five Fiscal Years (Note 1)				
		2015	2016	2017	2018	2019
Current Assets		3,902,689	4,078,848	3,583,587	3,922,567	4,402,474
Real estate, manufacturing facilities and equipment (Note 2)		1,278,334	1,302,883	1,386,582	1,398,583	1,373,266
Intangible Assets		6,702	8,226	7,806	7,233	2,953
Other Assets		11,608,796	11,045,082	10,339,802	9,593,953	9,094,668
Total assets		16,796,521	16,435,039	15,317,777	14,922,336	14,873,361
Current Liabilities	Before dispatch	3,168,975	3,173,312	2,972,476	3,064,391	3,246,865
	After dispatch	4,278,189	4,159,280	3,794,116	3,803,867	-
Non-current Liabilities		1,590,804	1,530,002	761,883	562,150	391,077
Total liabilities	Before dispatch	4,759,779	4,703,314	3,734,359	3,626,541	3,637,942
	After dispatch	5,868,993	5,689,282	4,555,999	4,366,017	-
Capital stock		4,108,200	4,108,200	4,108,200	4,108,200	4,108,200
Capital reserve		250,581	256,332	264,835	270,267	275,042
Retained earnings	Before dispatch	6,644,515	7,073,078	7,133,037	6,987,662	7,229,227
	After dispatch	5,535,301	6,087,110	6,311,397	6,248,186	-
Other interests		1,102,857	363,526	146,757	(923)	(307,639)
Treasury stock		(69,411)	(69,411)	(69,411)	(69,411)	(69,411)
Total equity	Before dispatch	12,036,742	11,731,725	11,583,418	11,295,795	11,235,419
	After dispatch	10,927,528	10,745,757	10,761,778	10,556,319	-

Note 1: The financial information from 2015 to 2019 has been verified and certified by a CPA.

Note 2: No asset revaluation has been conducted for the last five (5) years.

(4) Concise Consolidated Statement of Profit or Loss (Individual Information)

Unit: NTD thousand

Items \ Year	Financial Information for the Last Five Fiscal Years (Note)				
	2015	2016	2017	2018	2019
Operating Revenues	5,635,774	5,489,385	5,465,334	5,940,272	5,942,257
Gross Margin	1,591,118	1,883,048	1,762,947	1,822,590	1,943,185
Operating Profit and Loss	1,004,857	1,274,865	1,149,236	1,203,025	1,293,667
Non-business income and expenditure	1,078,878	591,956	286,218	(290,939)	(83,805)
Net profit before tax	2,083,735	1,866,821	1,435,454	912,086	1,209,862
Unit that continued operations Net Profit for Current Period	1,849,671	1,554,995	1,127,886	674,747	939,668
Losses from units that stopped operations	-	-	-	-	-
Net Profit (Loss) for Current Period	1,849,671	1,554,995	1,127,886	674,747	939,668
Other Comprehensive Profits and Losses for Current Period (Post-tax Net Amount)	(265,238)	(756,421)	(298,728)	(146,162)	(265,343)
Total Consolidated Gains and Losses for the Current Period	1,584,433	798,574	829,158	528,585	674,325
Earnings Per Share	4.53	3.80	2.76	1.65	2.30

Note : The financial information from 2015 to 2019 has been verified and certified by a CPA.

(5) Names of CPAs for the past 5 years and their inspection feedback

Year	CPA	Inspection Feedback
2015	Sheng Ping Lin Xiu Li Chen	No reservations
2016	Sheng Ping Lin Xiu Li Chen	No reservations
2017	Jen Chi Chen Xiu Li Chen	No reservations
2018	Jen Chi Chen Xiu Li Chen	No reservations
2019	Sheng Ping Lin Jen Chi Chen	No reservations

(II) Financial Analyses for the Past Five Fiscal Years

(1) Financial Analysis (Merger Information)

Analysis Item (Note 2)	Year	2015	2016	2017	2018	2019	Current year as of March 31, 2020 (Note 1)
		Financial Analysis for the Last Five Fiscal Years (Note 1)					
Financial Structure	Liability to Asset Ratio (%)	59.97	57.3	50.83	47.01	47.27	45.92
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	238.87	223.11	219.01	225.14	241.79	244.30
Solvency	Current Ratio (%)	126.95	129.95	138.60	147.15	149.71	151.73
	Quick Ratio (%)	66.60	70.36	76.61	91.08	92.78	91.08
	Interest Coverage Ratio (%)	42,280.24	42,847.10	17,404.40	10,045.47	1,294.00	914.41
Management Capacity	Receivable turnover ratio (times)	4.66	3.91	4.07	4.04	3.73	0.78
	Average Number of Days for Cash Receiving	78.32	93.35	89.68	90.34	97.85	115.38
	Inventory turnover ratio (times)	1.68	1.61	1.70	1.94	2.00	0.40
	Payable Turnover Rate (Qty.)	4.80	4.49	4.66	5.20	4.89	0.97
	Average Sales Days	217.26	226.70	214.70	188.14	182.50	225.00
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	4.01	3.25	2.80	2.65	2.64	0.58
	Total Asset Turnover Rate (Qty.)	0.75	0.67	0.65	0.65	0.63	0.13
Profitability	Return on Total Assets (%)	6.07	5.43	4.47	3.21	4.53	0.71
	Return on Equity (%)	15.62	13.14	9.78	6.30	8.56	1.33
	Pre-tax Income to Paid-in Capital (%)	61.04	53.47	37.90	25.81	30.47	6.21
	Net Margin (%)	8.13	8.09	6.91	4.92	7.14	5.36
	Earnings per Share (NT$)	4.53	3.80	2.76	1.65	2.30	0.36
Cash Flow	Cash Flow Ratio (%)	9.56	15.00	8.37	5.52	7.89	0.46
	Cash Flow Allowance Ratio (%)	69.59	84.03	89.52	89.39	75.07	75.89
	Cash Reinvestment Ratio (%)	1.89	6.17	(0.45)	(2.32)	(0.01)	0.28
Leverage	Operational Leverage	2.41	3.19	3.81	4.96	5.59	4.69
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:
Interest coverage ratio, return on total assets, return on equity, net margin, earnings per share :
It was resulting from the profit brought by Yungtay (China) transfers part of the real estate of the public work building and thus the net income was increased in the current period, and the financial ratios of relevant profitability were raised as well.

Note 1: The financial information from 2015 to 2019 has been verified and certified by a CPA; the financial information for the first quarter of 2020 has been reviewed by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.

3. Management Capacity
    (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and Receivables due to Operation) Balance.
    (2) Average cash receiving days = 365/Payment Receivables Turnover.
    (3) Inventory turnover = cost of goods sold/average inventory amount.
    (4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
    (5) Average number of days sales are conducted = 365/inventory turnover.
    (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
    (7) Total asset turnover = net sales/average total assets.

4. Profitability
    (1) Return on Total Assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average
    (2) Return on Equity = after-tax gains and losses/mean total equity
    (3) Net Margin = after-tax gains and losses/net sales.
    (4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)

5. Cash Flow (Note 4)
    (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
    (2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).
    (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(Gross from property, plant and equipment + Long-term investments + Other non-current assets + Working capital).

6. Leverage:
    (1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
    (2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:
1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company’s shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(2) Financial Analysis (Individual Information)

Analytical item (Note 2)		Year: Financial Analysis for the Last Five Fiscal Years (Note 1) 2015	2016	2017	2018	2019
Financial Structure	Liability to Asset Ratio (%)	28.34	28.62	24.38	24.30	24.46
	Ratio of Long-term Capital to Real Estate, Plant, and Equipment (%)	1,066.04	1,017.88	890.35	847.85	846.63
Solvency	Current Ratio (%)	123.15	128.54	120.56	128.00	135.59
	Quick Ratio (%)	88.68	94.12	79.88	92.35	102.01
	Interest Coverage Ratio (%)	29,349.38	30,111.02	14,648.49	7,932.18	6,685.32
Management Capacity	Receivable turnover ratio (times)	4.79	4.45	4.45	4.81	4.90
	Average Number of Days for Cash Receiving	76.20	82.02	82.02	75.88	74.48
	Inventory turnover ratio (times)	3.38	3.34	3.25	3.61	3.69
	Payable Turnover Rate (Qty.)	5.25	4.95	5.15	5.65	5.13
	Average Sales Days	107.98	109.28	112.30	101.10	98.91
	Real Estate, Plant, and Equipment Turnover Rate (Qty.)	4.46	4.25	4.06	4.27	4.29
	Total Asset Turnover Rate (Qty.)	0.34	0.33	0.34	0.39	0.40
Profitability	Return on Total Assets (%)	11.12	9.36	7.10	4.46	6.31
	Return on Equity (%)	15.60	13.08	9.68	5.90	8.34
	Pre-tax Income to Paid-in Capital (%)	50.99	45.68	35.12	22.32	29.60
	Net Margin (%)	32.82	28.33	20.64	11.36	15.81
	Earnings per Share (NT$)	4.53	3.80	2.76	1.65	2.30
Cash Flow	Cash Flow Ratio (%)	23.93	40.70	15.84	34.65	32.66
	Cash Flow Allowance Ratio (%)	62.96	74.68	73.09	84.46	78.89
	Cash Reinvestment Ratio (%)	(3.22)	1.27	(3.78)	1.83	2.48
Leverage	Operational Leverage	2.73	2.43	2.66	2.64	2.58
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Reasons why the various financial ratio changes in the last two (2) years have been greater than 20%:

1. Return on total assets, return on equity, pre-tax income to paid-in capital, net margin, earnings per share : It mainly came from the increase of net income in 2019 compared to that in 2018, and the financial ratios of relevant profitability were raised as well.
2. Cash Reinvestment Ratio : It was due to the decrease of payment in cash dividends during the period and the decrease of net long-term investment, which resulted in an increase in the cash reinvestment ratio.

Note 1: The financial information from 2015 to 2019 has been verified and certified by a CPA.

Note 2: The calculation formulas are listed as follows:

1. Financial Structure
   (1) Liability to assets ratio = total liabilities / total assets.
   (2) Ratio of Long-term Capital to Real Estate, Plant, and Equipment = (total equity + non-current liabilities) / net real estate, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest guarantee multiple = net interest before income tax and interest expense / current interest expense.
3. Management Capacity
   (1) Payment Receivables (including accounts receivable and bills due from operations) Turnover = Net Sales/Avg. Accounts Receivable for various Periods (Including Receivables and

Receivables due to Operation) Balance.

(2) Average cash receiving days = 365/Payment Receivables Turnover.

(3) Inventory turnover = cost of goods sold/average inventory amount.

(4) Payment Payable (including accounts payable and bills payable as a result of operations) Turnover = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).

(5) Average number of days sales are conducted = 365/inventory turnover.

(6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.

(7) Total asset turnover = net sales/average total assets.

4. Profitability

(1) Return on Total Assets = [after-tax gains and losses + interest × (1-tax rate)]/gross assets on average

(2) Return on Equity = after-tax gains and losses/mean total equity

(3) Net Margin = after-tax gains and losses/net sales.

(4) Earnings per share = (profit or loss attributable to parent company owners - special share dividends) / weighted average number of shares outstanding. (Note 3)

5. Cash Flow (Note 4)

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Net cash flow cash flow rate = net cash flow from operating activities in the last five (5) years / last five (5) years (capital expenditure + inventory increase + cash dividend).

(3) Cash reinvestment ratio = (net cash flow from business activities - cash dividends)/(net value of real estate, manufacturing facilities, and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.

(2) Financial leverage = operating interest / (operating interest - interest expense).

Note 3: The preceding calculation formula for earnings per share is based on the weighted average number of ordinary shares, rather than on the number of shares that have been issued at the end of the year.

Note 4: When measuring cash flow, special attention should be paid to the following items:

1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. The capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventories is only included when the ending balance is greater than the opening balance; and if the inventory at the end of the year decreases, it is calculated as zero.
4. The cash dividends include cash dividends from ordinary shares and special shares.
5. The gross value of property, plant, and equipment refers to the total amount of real property, plant, and equipment before depreciation.

Note 5: If the company’s shares are non-detailed or if the denomination of each share is not NT$10, the former calculation for the ratio of paid-in capital shall be calculated based on the equity ratio of the balance sheet attributable to the owners of the parent company.

(III) Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for distribution of earnings. Jiang Sheng & Co., CPAs was retained to audit the Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company.

According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,
2020 Annual Shareholders' Meeting

Yungtay Engineering Co., Ltd.
Chairperson of the Audit Committee : Shih Yang Chen

April 28, 2020

(IV) Consolidated Financial Statements of 2019

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" as of and for the year ended December 31, 2019 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financials Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Yungtay Engineering Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Yungtay Engineering Co., Ltd.

By

Chairman: Xu, Zuo-Ming

March 25, 2020

Russell Bedford
taking you further

建昇財稅聯合會計師事務所
Accounting · Audit · Tax · Consulting · Legal
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yungtay Engineering Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Yungtay Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019, and 2018, and the consolidated statements of comprehensive income, cash flows for the years then ended, and the 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 of 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 (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Decree of Jin Guan Jheng Shen No.1090360805 promulgated from Financial Regulatory Commission on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audits 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 for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of sales

Please refer to Note 6(21) to the consolidated financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 93.39% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(20) to the consolidated financial statements for the details of accounting policy about the recognition of sales.

Our key audit procedures responded to the above area included: 1.obtained an understanding and evaluating of the implementation of internal controls over the recognition of sales revenue designed by the Company's management in order to evaluate the effectiveness of the related activity of internal control; 2.performed the cut-off tests to sales revenue, which is occurred in the specific period before and after the balance sheet date as well as reviewed the material contracts to verify the recognition of the sales of elevators, maintenance and related products and services to be in the right time and reasonable.

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Evaluation of inventories

The carrying amount of inventories was NT$5,227,996 thousand, which accounted for 24% of the total assets in the consolidated balance sheet and could have a material impact on the consolidated financial statements. Inventories tended to be obsolete and caused damaged easily because of rapid development of technology in the production of elevator and uncertainty in the demand market. The estimate of net realizable value of inventories is subject to the management's subjective judgment. Consequently, the evaluation of inventories' measurement at the lower of cost or net realizable value, together with the provision of the allowance for the inventories decline loss, has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included: understood and tested the design and operating effectiveness of internal controls of inventories; obtained the evaluation data of net realizable value of inventories prepared by management; implemented the computation through the way of sampling to assure the correctness of the provision of the allowance for the inventories decline and verified and compared the contract price of recent actual sales to understood if there was any decline happened to the inventories. Moreover, observed year-end inventory physical count and executed sampling of inventory physical count to assess the adequacy of the methods used by management to identify and monitor if there was any obsolescent inventories.

Other Matter

We have also audited the parent company only financial statements of Yungtay Engineering Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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 IFRS, IAS, IFRIC, and

SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Company'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 Company or to cease operations, of has no realistic alternative but to do so.

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

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

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

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

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. 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.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting 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.

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Seng-Ping and Chen, Jen-Chi.

林昇平

A member of Russell Bedford International
Taipei, Taiwan (Republic of China)
March 25, 2020

Notice to Readers

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

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Balance Sheets - Assets
December 31, 2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-19 Amount	%	31-Dec-18 Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,903,861	18	3,875,535	18
1110	Financial assets at fair value through profit or loss -current	6(2)	791,342	4	529,668	2
1120	Financial assets at fair value through other comprehensive income-current	6(3)	84,110	-	86,156	-
1150	Notes receivable, net	6(4)	308,343	1	387,530	2
1170	Accounts receivable, net	6(4)	3,324,134	16	3,292,254	16
1200	Other receivables	6(6)	62,103	-	8,736	-
130x	Inventories	6(5)	5,227,996	24	5,233,556	24
1410	Prepayments	6(6)	246,130	1	64,509	-
1460	Non-current assets held for sale	6(7)	57,495	-	52,167	-
1478	Refundable deposits	6(8)	200,534	1	220,233	1
1470	Other current assets		4,445	-	91	-
1480	Incremental costs of obtaining contracts-current	6(6)	186,195	1	154,208	1
11xx	Total current assets		14,396,688	66	13,904,643	64
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	97,142	-	87,824	-
1550	Investments accounted for using equity method	6(9)	332,434	2	375,889	2
1600	Property, plant and equipment	6(10)	4,984,299	23	5,419,088	26
1755	Right-of-use assets	6(11)	251,704	1	-	-
1760	Investment property, net	6(12)	801,240	4	818,112	5
1780	Intangible assets	6(13)	38,324	-	52,622	-
1840	Deferred tax assets	6(24)	616,108	3	633,188	2
1915	Prepayments for equipment	6(10)	7,487	-	7,494	-
1920	Refundable deposits	6(8)	112,195	1	79,978	-
1940	Long-term notes receivable		17,221	-	22,029	
1985	Long-term prepaid rents	6(14)	-	-	234,033	1
1990	Advances to employees and official business		7,786	-	9,624	-
1990	Other non-current assets, others		5,520	-	5,520	-
15xx	Total non-current assets		7,271,460	34	7,745,401	36
1xxx	Total assets		$ 21,668,148	100	21,650,044	100

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets – Liabilities and Equity

December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-19 Amount	%	31-Dec-18 Amount	%
21xx	Current liabilities					
2120	Financial liabilities at fair value through profit or loss	6(2)	$ 4,445	-	-	-
2130	Contract liabilities	6(15)	6,076,982	28	6,049,968	28
2150	Notes payable		310,154	1	332,280	2
2170	Accounts payable		1,928,420	9	1,699,789	8
2200	Other payables	6(16)	912,611	4	856,354	4
2230	Current tax liabilities	6(24)	133,816	1	233,190	1
2280	Lease liabilities -current	6(17)	18,056	-	-	-
2313	Deferred revenue	6(21)	209,403	1	269,051	1
2399	Lease liabilities-current	6(18)	20,444	-	-	-
2399	Other current liabilities-other		2,256	-	8,776	-
21xx	Total current liabilities		9,616,587	44	9,449,408	44
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	4,875	-	6,096	-
2580	Lease liabilities-non-current	6(17)	18,815	-	-	-
2630	Long-term deferred revenue	6(21)	86,700	-	91,131	-
2640	Net defined benefit liabilities-non-current	6(19)	330,698	2	513,522	2
2645	Guarantee deposits received	6(18)	185,128	1	118,298	1
25xx	Total non-current liabilities		626,216	3	729,047	3
2xxx	Total liabilities		10,242,803	47	10,178,455	47
31xx	Total equity attributable to owners of parent					
3100	Capital stock	6(20)	4,108,200	19	4,108,200	19
3200	Capital surplus	6(20)	275,042	1	270,267	1
3300	Retained earnings	6(20)				
3310	Legal reserve		3,077,068	14	3,009,594	14
3320	Special reserve		923	-	-	-
3350	Unappropriated earnings		4,151,236	19	3,978,068	18
3400	Other equity					
3410	Exchange differences on translation of foreign operations		(284,952)	(1)	24,756	-
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		(22,687)	-	(25,679)	-
3500	Treasury stock		(69,411)	-	(69,411)	-
31xx	Equity attributable to owners of parent		11,235,419	52	11,295,795	52
36xx	Non-controlling interests		189,926	1	175,794	1
3xxx	Total equity		11,425,345	53	11,471,589	53
3x2x	Total liabilities and equity		$ 21,668,148	100	21,650,044	100

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounting Item	Note	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenue	6(21)	$ 13,718,348	100	14,858,628	100
5000	Operating costs	6(5)	(10,450,970)	(76)	(11,422,890)	(77)
5950	Gross profit from operations		3,267,378	24	3,435,738	23
6000	Operating expenses					
6100	Selling expenses		(697,166)	(5)	(770,035)	(5)
6200	Administrative expenses		(1,246,131)	(9)	(1,221,885)	(8)
6300	Research and development expenses		(474,324)	(4)	(468,184)	(3)
	Total operating expenses		(2,417,621)	(18)	(2,460,104)	(16)
6900	Net operating income		849,757	6	975,634	7
7000	Non-operating income and expenses					
7010	Other income	6(22)	97,509	1	76,041	1
7020	Government grants	6(22)	12,972	-	11,891	-
7020	Other gains and losses	6(22)	300,777	2	(17,358)	-
7050	Finance costs	6(22)	(963)	-	(105)	-
7060	Share of (loss) profit of associates accounted for using equity method	6(9)	(14,895)	-	8,566	-
	Total non-operating income and expenses		395,400	3	79,035	1
7900	Income before income tax		1,245,157	9	1,054,669	8
7950	Income tax expenses					
7951	Current income tax expenses	6(24)	(279,381)	(2)	(226,827)	(2)
7952	Deferred income tax expenses	6(24)	13,673	-	(96,099)	(1)
8000	Current income from continuing operations		979,449	7	731,743	5
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		979,449	7	731,743	5
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit of loss:					
8311	Remeasurement of defined benefit plans		55,331	-	(5,827)	-
8316	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income		(2,015)	-	(9,801)	-
8321	Remeasurement of defined benefit plans of associates		(973)	-	(40)	-
8326	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income of associates		3,005	-	(909)	-
8349	Income tax (benefit) expense related to items that will not be reclassified		(10,983)	-	1,135	-
	Total items not reclassified subsequently into gains and losses		44,365	-	(15,442)	-
8360	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations		(303,556)	(2)	(126,295)	(1)
8370	Share of other comprehensive income (loss) of associates		(6,152)	-	(4,425)	-
	Total items to be reclassified subsequently into gains and losses		(309,708)	(2)	(130,720)	(1)
8500	Total comprehensive income for the year		$ 714,106	5	585,581	4
8600	Net income attributable to:					
8610	Owners of parent		$ 939,668	7	674,747	5
8620	Non-controlling interests		39,781	-	56,996	-
			$ 979,449	7	731,743	5
8700	Comprehensive income attributable to:					
8710	Owners of parent		$ 674,325	5	528,585	4
8720	Non-controlling interests		39,781	-	56,996	-
			$ 714,106	5	585,581	4
	Earnings per share (unit: NT$)	6(25)				
9750	Basic earnings per share (in NT dollar)		$ 2.30		1.65	

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of parent		Retained earnings			Other equity					
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury share	Total	Non-controlling Interests	Total equity
Balance as of January 1, 2018	$ 4,108,200	264,835	2,896,825	-	4,242,462	155,476	(14,969)	(89,411)	11,583,418	181,518	11,764,936
Appropriation & distribution of earnings in 2017											
Legal reserve			112,769		(112,769)				-	-	-
Cash dividends					(821,640)				(821,640)	-	(821,640)
Adjustments of capital surplus due to cash dividends paid from parent to subsidiaries		4,259							4,259	-	4,259
Overdue dividends unclaimed		1,170							1,170	-	1,170
Share of changes in net assets of associates accounted for using equity method		3							3	-	3
Net income in 2018					674,747				674,747	56,996	731,743
Other comprehensive income (loss) in 2018					(4,732)	(130,720)	(10,710)		(146,162)	-	(146,162)
Total comprehensive income (loss) in 2018	-	-	-	-	670,015	(130,720)	(10,710)	-	528,585	56,996	585,581
Non-controlling interests received cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(62,720)	(62,720)
Balance as of December 31, 2018	$ 4,108,200	270,267	3,009,594	-	3,978,068	24,756	(25,679)	(89,411)	11,295,795	175,794	11,471,589
Balance as of January 1, 2019	$ $4,108,200	270,267	3,009,594	-	3,978,068	24,756	(25,679)	(89,411)	11,295,795	175,794	11,471,589
Appropriation & distribution of earnings in 2018											
Legal reserve			67,474		(67,474)				-	-	-
Special reserve				923	(923)				-	-	-
Cash dividends					(739,476)				(739,476)	-	(739,476)
Adjustments of capital surplus due to company's cash dividends paid to subsidiaries		3,834							3,834	-	3,834
Overdue dividends unclaimed		939							939	-	939
Share of changes in net assets of associates accounted for using equity method		2							2	-	2
Net income in 2019					939,668				939,668	39,781	979,449
Other comprehensive income (loss) in 2019					43,375	(309,708)	990		(265,343)	-	(265,343)
Total comprehensive income (loss) in 2019	-	-	-	-	983,043	(309,708)	990	-	674,325	39,781	714,106
Adjustments to share of disposal and capital reduction of investments in equity instruments at fair value through other comprehensive income owned by associates	-	-	-	-	(2,002)	-	2,002	-	-	-	-
Non-controlling interests received cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(25,649)	(25,649)
Balance as of December 31, 2019	$ 4,108,200	275,042	3,077,068	923	4,151,236	(284,952)	(22,687)	(89,411)	11,235,419	189,926	11,425,345

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yengtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash flows
For the years ended December 31, 2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2019	2018
AAAA	**Cash flows from operating activities:**		
A10000	Income before income tax	$ 1,245,157	1,054,669
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	385,183	384,751
A20200	Amortization expense	13,104	13,909
A20300	Expected credit loss (gain)	-	(6,632)
A20400	(Gain) loss in financial asset at fair value through profit or loss	(3,421)	4,756
A20900	Interest expense	963	105
A29900	Expenses recognized from long-term prepaid rents	-	6,462
A21200	Interest income	(68,394)	(63,635)
A21300	Dividend income	(29,115)	(12,406)
A22300	Share of loss (profit) of associates accounted for using equity method	14,895	(8,566)
A22500	Loss (gain) on disposal of property, plant and equipment	(1,151)	(10,123)
A22500	Loss on obsolescence of property, plant and equipment	5,788	3,045
A22700	Loss on disposal of Investment property	(1,065)	467
A23000	(Gain) on disposal of noncurrent assets held for sale	(259,938)	-
A23700	Impairment loss on noncurrent assets held for sale	10,000	414
A23700	Impairment loss on goodwill	-	123,888
A23800	(Gain) from price recovery of inventory decline	(1,927)	(49,759)
A23800	(Gain) on reversal of impairment losses on investment property	-	(590)
A24100	Unrealized foreign exchange loss	31,581	29,705
A29900	Various expenses transferred from prepayment for equipment	1,257	-
A20010	Total adjustments to reconcile profit (loss)	97,760	415,791
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(265,001)	(316,474)
A31130	(Increase) decrease in notes receivable, net	79,187	(97,831)
A31150	(Increase) decrease in accounts receivable, net	(31,880)	36,923
A31180	(Increase) decrease in other receivables	4,874	9,309
A31200	(Increase) decrease in inventory	5,540	1,351,531
A31230	(Increase) decrease in prepayments	(181,621)	119,427
A31240	(Increase) decrease in other current assets	77	246
A31270	(Increase) decrease in incremental costs of obtaining contracts-current	(31,987)	68,731
A31000	Total change in operating assets	(420,811)	1,171,862
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	27,014	(1,388,330)
A32130	Increase (decrease) in notes payable	(22,126)	(23,131)
A32150	Increase (decrease) in accounts payable	228,631	(302,276)
A32180	Increase (decrease) in other payables	54,455	(136,240)
A32230	Increase (decrease) in other current liabilities	228	256
A32240	Increase (decrease) in defined benefit liabilities, net	(127,493)	(209,019)
A23990	Increase (decrease) in deferred revenue	(64,079)	(87,719)
A32000	Total change in operating liabilities	96,630	(2,146,459)
A30000	Total change in operating assets and liabilities	(324,181)	(974,597)
A20000	Total adjustments	(226,421)	(558,806)

(Continued)

Yengtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash flows
For the years ended December 31, 2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2019	2018
A33000	Cash generated from operations	1,018,736	495,863
A33100	Interest received	65,426	65,335
A33200	Dividends received	53,640	20,703
A33300	Interest paid	(50)	(105)
A33500	Income tax paid	(378,698)	(60,096)
AAAA	Net cash generated by operating activities	759,054	521,700
BBBB	**Cash flows from investing activities**		
B00010	Acquision of financial assets at fair value through other comprehensive income	(9,625)	-
B00030	proceeds from reduction in capital of financial assets at fair value through other comprehensive income	337	1,108
B02600	Proceeds from disposal of noncurrent assets held for sale (Note 6(26))	231,933	-
B02700	Acquisition of property, plant and equipment (Note 6(26))	(111,084)	(71,837)
B02800	Proceeds from disposal of property, plant and equipment	1,913	56,873
B04500	Acquisition of intangible assets	(443)	(3,768)
B05500	Proceeds from disposal of investment property	8,868	8,021
B03700	(Increase) Decrease in refundable deposits	(12,518)	177,750
B06800	Decrease in other non-current assets	6,646	4,413
B07100	(Increase) in prepayments on equipment	(7,415)	(7,492)
BBBB	Net cash used in investing activities	108,612	165,068
CCCC	**Cash flows from financing activities**		
C03000	Increase in guarantee deposits received	87,274	3,573
C04020	Repayment of the principal portion of lease liabilities	(15,576)	-
C04500	Cash dividends paid	(761,291)	(880,101)
C09900	Other-overdue dividends unclaimed	939	1,170
CCCC	Net cash used in financing activities	(688,654)	(875,358)
DDDD	Impact of change in exchange rate on cash and cash equivalents	(150,686)	(71,519)
EEEE	Net increase (decrease) in cash and cash equivalents	28,326	(260,109)
E00100	Cash and cash equivalents at the beginning of year	3,875,535	4,135,644
E00200	Cash and cash equivalents at the end of year	$ 3,903,861	3,875,535

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. GENERAL

Yungtay Engineering Co., Ltd. ("YTEC" or the "Company"), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components as well as providing the after-sales services of installation, maintenance and repair. The principal operating items of YTEC's subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC's shares were listed on the Taiwan Stock Exchange in November, 1989.

The number of employees of the Company and its subsidiaries (collectively referred herein as the "Group") was 5,165 and 5,196 as of December 31, 2019 and 2018, respectively.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 25, 2020.

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

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

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

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Group as lessee

Except for payments for short-term leases which are recognized as expenses on a straight-line basis, The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets. On the consolidated statements of comprehensive income, The Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities, which is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for both the principal portion and the interest portion of lease liabilities are classified within financing activities.

The Group applies IFRS 16 retrospectively with the cumulative effect of the initial application recognized at the date of initial application but does not restate comparative information.

Leases agreements classified as operating leases under IAS 17, except for short-term leases, are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group applied the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019:

- The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The weighted average lessee's incremental borrowing rate used by The Group to calculate lease liabilities recognized on January 1, 2019 is 1.15%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$	15,787
Less: Recognition exemption for short-term leases		(9,615)
Undiscounted gross amounts on January 1, 2019	$	6,172
Discounted using the incremental borrowing rate on January 1, 2019	$	7,792
Lease liabilities recognized on January 1, 2019	$	7,792

Impact on assets, liabilities and equity on January 1, 2019

		Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Long-term prepaid rents	$	234,033	(234,033)	-
Right-of-use assets		-	241,825	241,825
Total effect on assets	$	234,033	7,792	241,825
Lease liabilities-current	$	-	3,852	3,852
Lease liabilities-noncurrent		-	3,940	3,940
Total effect on liabilities	$	-	7,792	7,792
Total effect on equity	$	-	-	-

The Group as lessor

At transition, The Group does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2020 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2020

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

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

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

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

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issues by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate of Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2022

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

As of the date the accompanying consolidated financial statements were authorized for issue, The Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when The Group completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC with effective dates (collectively, "Taiwan-IFRSs").

(2) Basis of Preparation

a. Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

b. Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of New Taiwan Dollars("NT$"), which is the Company's functional currency, unless specified otherwise.

(3) Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

(b) Exposure, or rights, to variable returns from its involvement with the investee, and
(c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) The contractual arrangement with the other vote holders of the investee
(b) Rights arising from other contractual arrangements
(c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries in accordance with the statement of B96 of IFRS 10. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:
(a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

b. The subsidiaries included in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Ownership (%) December 31 2019	Ownership (%) December 31 2018	Description
YTEC	Yungtay Engineering Co. (HK)	Holding Co.	78.72	78.72	
Better Win Investment Co. (SAMOA)	Yungtay Engineering Co. (HK)	Holding Co.	21.28	21.28	(Note 1)
Yungtay Engineering Co. (HK)	Yungtay Elevator Equipment Co. (China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Installation & Maintenance Co. (ShangHai, China)	Installation & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Jiyi Electric Co. (Shanghai, China)	Manufacturing & maintenance of Component of elevator	100.00	-	(Note 2)
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Limited Liability Co. (Vietnam)	Sale & Maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Sichuan, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (China)	Yungtay Elevator Equipment Co. (Tianjin, China)	Manufacturing & maintenance of elevator	100.00	100.00	
Yungtay Elevator Equipment Co. (Tianjin, China)	Yungtay Elevator Installation & Maintenance Co. (Tianjin, China)	Installation & maintenance of elevator	-	100.00	(Note 3)
YTEC	Better Win Investment Co. (SAMOA)	Holding Co.	100.00	100.00	
YTEC	Yungjiun Construction Machinery Co., Ltd.	Investment business	100.00	100.00	
YTEC	Yungtay Hitachi Construction Machinery Co., Ltd.	Sale & Maintenance of Construction Machinery	51.00	51.00	

Note 1: The Company holds 21.28% ownership of Yungtay Engineering Co. (HK) through Better Win Investment Co. (SAMOA). The Company originally held 78.72% ownership of Yungtay Engineering Co. (HK). Due to comprehensive holdings 100% ownership of Yungtay Engineering Co. (HK) the 21.28% ownership of Yungtay Engineering Co. (HK) is consolidated.

Note 2: On October 16, 2017, the board of directors of Yungtay Elevator Equipment Co. (China) resolved that Yungtay Elevator Equipment Co. (China) absorbed by merger Jiyi Electric Co. (Shanghai, China), with Yungtay Elevator Equipment Co. (China) being the surviving company and Jiyi Electric Co. (Shanghai, China) being the dissolving company, effective from December 31, 2017. Due to complying with the company's operating needs in the third quarter, 2019, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiyi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 3: Yungtay Elevator Installation & Maintenance Co. (Tianjin, China) has been liquidated in November, 2019.

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

d. Significant restriction: None.

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

(4) Foreign Currency

a. Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

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

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

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

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

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

b. <u>Foreign operations</u>

When preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated New Taiwan Dollar at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(5) Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

a. The asset is expected to be realized, or sold or consumed, during the Group's normal operating cycle;
b. The asset is held primarily for the purpose of trading;
c. The asset is expected to be realized within twelve months after the reporting period; or
d. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

a. The liability is expected to be settled during the Group's normal operating cycle;
b. The liability is held primarily for the purpose of trading;
c. The liability is due to be settled within twelve months after the reporting period; or
d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and Cash Equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are 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 (including foreign-currency deposits) meeting the aforementioned definition and held for the purpose of fulfilling short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(7) **Financial Instruments**

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

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

a. Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis for which financial assets were classified in the same way. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Category of financial assets and measurement

Purchase or sale of financial assets is recognized or derecognized using trade date accounting.

Financial assets held by the Group are classified into subsequently the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets measured at amortized cost and investment in equity instruments at fair value through other comprehensive income (FVTOCI) on the basis of both:

i. The Group's business model for managing the financial assets and

ii. The contractual cash flow characteristics of the financial asset.

(i) Financial assets at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. The measurement method of fair value please see Note 12.

(ii) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Group may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. On de-recognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

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

(b) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

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

(c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, instead of profit or loss.

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

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

c. <u>Derivative financial instruments</u>

The Group holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(8) <u>Fair Value Measurement</u>

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

a. In the principal market for the asset or liability, or

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

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

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

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

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

(9) Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less estimated costs of completion and the estimated costs necessary to make the sale.

(10) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment would no longer be depreciated or amortized if those assets are classified as held for sale. So do the investments accounted for using equity method.

(11) Investments Accounted for Using Equity Method-Investment in associates

Investments accounted for using the equity method are investments in associates.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Group's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Group should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not owned by the Group.

(12) <u>Property, Plant and Equipment</u>

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	2~30
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(13) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for currently undermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	3~10
Electrical and Mechanical Engineering	3~15

The Group decides to transfer into or from investment properties in accordance with the actual purpose of asset.

(14) Leases

2019

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

a. The Group as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

a. The Group as lessor

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

b. The Group as lessee

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

(15) <u>Intangible Assets</u>

<u>Goodwill</u>

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

<u>Other intangible assets</u>

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: computer software – 1~10 years; membership qualification of golf club acquired in Mainland China – 35 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(16) <u>Impairment of Non-Financial Assets</u>

<u>Goodwill</u>

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

<u>Other tangible and intangible assets</u>

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(17) Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

(18) Treasury Stock

The Group's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

(19) 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 recognized as expenses in that period when the employees render service.

b. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized 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 Company in current period or prior period. The liability recognized 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, together with adjustments for unrecognized past service costs. 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; when where is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

c. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, 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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(20) Revenue Recognition

a. Sale of Goods

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

The Group recognized the trade receivable after the completion of installation of elevator and inspection by the competent authority to be qualified, when the group has the right to collect the consideration without any condition.

Any incremental cost incurred to obtain the contract would be capitalized as incremental cost for getting the contract within the scopt of expected recovery, and be amortized in the same way followed by the recognition of revenue afterwards.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

b. Service provided

The revenue of maintenance and repair stipulated in the contract, during the period of maintenance, is recognized when performance obligations are satisfied along with the time of services provided.

c. Rental, dividend and interest income

Rental incomes are recognized on a straight-line basis over the lease term.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

d. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

(21) Taxation

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

Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The additional income tax (5% reduced from 10% since 2018) on unappropriated earnings of the Company and subsidiaries in R.O.C. is recognized as income tax expense in the year the shareholders, meeting approves the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20% and integrated income tax system was abolished as well.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

Current and deferred tax for the year

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

(22) Business Combination

The Group selected to restate only the business combination happened on January 1, 2012 and afterwards when transferred to IFRSs as endorsed by FSC. To the acquisition before January 1, 2012, the amount of goodwill from acquisition was recognized in accordance with the Regulations governing the Preparation of Financial reports by Securities Issuers released on January 10, 2009 and Statements of Financial Accounting Standard and interpretations released by Accounting Research and Development Foundation, R.O.C.

(23) Earnings per share

Basic earnings per share of the Group is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

(24) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

The Group's critical accounting judgments and key sources of estimation and uncertainty are as below:

(1) Impairment of Tangible and Intangible Assets (Other than Goodwill)

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of elevator industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years, see Notes 6(7) and 6(12).

(2) Impairment Loss of Goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units, and management estimates the resulting expected cash flows of the cash-generating units (CGU), and CGU is determined to calculate its present value using appropriate discount rate. If the actual cash flows are less than the expected cash flows, it might lead to significant impairment loss. After the impairment tests to goodwill in 2018, the goodwill, amounting to NT$123,888 thousand, has been accounted for completely as the impairment loss. The relevant information was shown in Note 6(13).

(3) Impairment Assessment on Investment Using Equity Method

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Group measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

There is no indication of impairment of investment accounted for using the equity method in 2019 and 2018, respectively.

(4) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions Is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies, see Note 6(24).

(5) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, see Note 6(5).

(6) **Useful Lives of Property, plant and Equipment as well as Investment Properties**

The Group reviews the estimated useful lives of property, plant and equipment as well as investment properties periodically.

(7) **Estimated impairment of financial assets**

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 6(4). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. Description of Major Accounting Items

(1) Cash and cash equivalents

		December 31 2019	December 31 2018
Cash on hand	$	7,164	7,586
Deposits in banks			
Checking accounts		133,599	140,734
Demand deposits (including foreign currency deposits)		2,015,586	2,503,968
Cash equivalents			
Time deposits (including foreign currency deposits)		1,747,512	1,223,247
Total	$	3,903,861	3,875,535

a. The currency risk and sensitivity analysis of the Group's financial assets and liabilities was disclosed in the Note 12(1).d.

b. The Group had no cash and cash equivalents pledged as collateral.

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

		December 31 2019	December 31 2018
Mandatorily measured at FVTPL:			
Mutual funds and publicly traded stocks	$	791,342	522,920
Forward exchange contracts		(4,445)	6,748
Total	$	786,897	529,668

		December 31 2019	December 31 2018
Current	$	786,897	529,668
Non-current		-	-
Total	$	786,897	529,668

a. The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting treatment for these derivative contracts.

b. Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
Dec. 31, 2019	JPY/NT$	Jan. 22, 2020 ~Aug. 25, 2020	686,996
Dec. 31, 2018	JPY/NT$	Jan. 25, 2019 ~Nov. 11, 2019	924,876

c. The Group disclosed the exposures of credit, currency and interest which were related with financial instrments in the Note 12.

d. The Group's financial assets were not pledged as collateral.

(3) Investments in Equity Instruments at FVTOCI

		December 31 2019	December 31 2018
Stocks listed on market - current	$	84,110	86,156
Unlisted stocks - non-current		97,142	87,824
	$	181,252	173,980

a. These investments in equity instruments are not held for trading. Instead, they are held for prudent and conservative strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

b. The Company owned the investee company named Li Se Joint-Venture Investment Co. Ltd. (unlisted co.) with original 923,515 shares. The investee company decided to decrease capital (the ratio of decrease capital being 12% and the capital decrease date being August 10, 2018) resolved by the Shareholders' Meeting on June 5, 2018 and the Company received the proceeds from capital reduction with amount of NT$1,108 thousand, the shares decreased being 110,822 shares and holding shares after capital reduction being 812,693 shares.

(4) Notes and Accounts Receivable, net

		December 31 2019	December 31 2018
Notes receivable	$	312,562	391,898
Accounts receivable		3,751,494	3,698,431
Less: unrealized interest income		(1,763)	(1,744)
Less: allowance for doubtful accounts		(429,816)	(408,801)
Notes and accounts receivable, net	$	3,632,477	3,679,784

a. The following table details the loss allowance of trade receivables based on the Group's provision matrix, please refer to Note 12.(1)b.(b) for more information.

December 31, 2019

Item	Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	1.26%	2.80%	5.02%	38.18%	
Gross carrying amount	$ 1,752,627	935,645	431,758	942,263	4,062,293
Loss allowance (Lifetime expected credit loss)	(22,083)	(26,220)	(21,656)	(359,857)	(429,816)
Amortized cost	$ 1,730,544	909,425	410,102	582,406	3,632,477

December 31, 2018

Item	Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method	1.11%	4.62%	8.95%	30.40%	
Gross carrying amount	$ 1,739,845	904,035	426,120	1,018,585	4,088,585
Loss allowance (Lifetime expected credit loss)	(19,270)	(41,784)	(38,147)	(309,600)	(408,801)
Amortized cost	$ 1,720,575	862,251	387,973	708,985	3,679,784

b. The movement of the loss allowance of trade receivables [including notes and accounts receivable (related parties included), overdue receivables and long-term notes receivable] was as follows:

December 31, 2019

	Notes & Accounts receivable (related Parties included)	Overdue Receivables	Long-Term Notes Receivable
Balance at January 1, 2019	$ 408,801	2,494	247
Actual write-off during the year	(7,935)	-	-
Transferred to overdue receivable and long-term notes receivable	1,510	(1,452)	(58)

Recovery of uncollectible accounts written off		43,142	-	-
Effect of exchange rate changes		(15,702)	-	-
Balance at December 31, 2018	$	429,816	1,042	189

December 31, 2018

		Notes & Accounts receivable (related Parties included)	Overdue Receivables	Long-Term Notes Receivable
Balance at January 1, 2018	$	501,332	2,191	5
Actual write-off during the year		(77,905)	(130)	-
Reversal for the year		(6,632)	-	-
Transferred to overdue receivable and long-term notes receivable		(675)	433	242
Effect of exchange rate changes		(7,319)	-	-
Balance at December 31, 2018	$	408,801	2,494	247

c. The main activity of Yungtay Elevator (China) is providing elevator of passenger for real estate development project. According to the custom of real estate industry, almost 5% of the proceeds of elevator sales are to be the guarantee deposit of the quality and quantity.

Not until the goods are verified by the buyer in one year or two years, can Yungtay Elevator (China) be entitled to receive the rest proceeds. The balance of the guarantee deposit of the quality and quantity included in the trade receivables was 344,169 thousand and 426,644 thousand as at December 31, 2019 and 2018, respectively.

d. The Group hasn't held any collateral, nor have the trade receivables pledged or discounting.

(5) Inventories

	December 31 2019	December 31 2018
Raw materials	$ 675,497	616,560
Work in process	4,133,050	4,163,264
Finished goods (including Merchandise)	107,905	58,375
Construction in process	323,141	409,153
In-transit inventory	21,386	21,114
Subtotal	5,260,979	5,268,466
Less: allowance for inventory decline loss	(32,983)	(34,910)
Total	$ 5,227,996	5,233,556

a. Operating costs (excluding rental cost) which were related with inventories in 2019 and 2018, respectively, were as follows:

	December 31 2019	December 31 2018
Operating costs transferred from inventories	$ 10,342,659	11,389,727
Gain from price recovery of inventory	(2,941)	(58,227)
Inventory decline loss	1,014	8,468
Revenue from sale of scraps	(22,128)	(20,124)
Loss from physical inventory taking	145	271
Underapplied overhead	128,198	98,813
Total	$ 10,446,947	11,418,928

b. Allowance for sales return, accompanied by the allowance for the related inventory decline loss, with amount of NT$40,000 thousand, was provided by Yungtay Hitachi due to pending litigation in 2012. The pending conviction, affirmed by the Supreme Court in 2018, confirmed that the sale transaction was proved existed effectively, being no need to rebate the consideration, and reversed the provision of allowance for decline loss of NT$40,000 thousand accordingly. Please refer to Note 9(9) for details.

c. On sake of recognizing the inventory decline loss resulting from not ideal with prior years' sales price of some contracts, the Company accounted for gain from price recovery of inventory of NT$2,941 thousand and NT$18,227 thousand in 2019 and 2018, respectively, as a result of selling out the aforementioned inventories when completed gradually.

d. Due to the Company being not ideal with the contract case and unified purchase price, the net realizable value of the material PC board was lower than cost, resulting to decline loss of NT$1,014 thousand and NT$839 thousand in 2019 and 2018, respectively.

e. Due to the termination of some end products, Yungtay (China) no long used the raw material with which some end products have been produced. The aforementioned raw material was transferred into obsolete material, which was accounted for as the allowance for inventory decline loss, with amount of NT$7,629 thousand.

f. The Group's inventories were not pledged, nor as collateral.

(6) Incremental costs of obtaining contracts and prepayments

	December 31 2019	December 31 2018
Incremental costs of obtaining contract – sales commission	$ 186,195	154,208

The Group takes into account the past historical experience and the term of service contract, thus the Group recognizes the incremental cost-commission as the performance obligation of the contract is deemed to be recovered in full.

	December 31 2019	December 31 2018
Prepaid insurance	$ 5,801	8,955
Prepaid rent	2,039	2,702
Prepayment for purchases		
Domestic purchases	50,386	1,373
Foreign purchases	14,998	16,507
Overpaid value-added tax	166,578	25,764
Others	6,328	9,208
Total	$ 246,130	64,509

Prepayment for purchases was primarily aimed at purchases from installation agent prepaid by Yungtay (China) at the end of year; Overpaid value-added tax referred to value-added tax undeductible for purchases and additions to construction in progress of Yungtay (China).

(7) Non-current assets held for sale

a. The movement of cost and impairment loss of the Group's non- current assets was as follows:

Cost		
Balance at January 1, 2019	$	57,904
Additions		-
Disposals		(29,978)
Transfers		47,534
Effect of exchange rate changes		(2,657)
Balance at December 31, 2019	$	72,803
Balance at January 1, 2018	$	55,692
Additions		-
Disposals		-
Transfers		3,205
Effect of exchange rate changes		(993)
Balance at December 31, 2018	$	57,904
Impairment Loss		
Balance at January 1, 2019	$	(5,737)
Impairment loss		(10,000)
Effect of exchange rate changes		429
Balance at December 31, 2019	$	(15,308)
Balance at January 1, 2018	$	(5,420)
Impairment loss		(414)
Effect of exchange rate changes		97
Balance at December 31, 2018	$	(5,737)
Carrying amount		
Balance at December 31, 2019	$	57,495
Balance at December 31, 2018	$	52,167

b. The recognized impairment (loss) of non-current assets held for sale was NT$(10,000) thousand and NT$(414) thousand in 2019 and 2018, respectively, see Note 6(22).c.

c. For the purpose of complying with the related comprehensive environmental improvement plan of Songjiang District, Shanghai, Yungtay Elevator (China) entered into an agreement with people's government of Jiuting Town, Songjiang District, Shanghai to relocate some premises located at Banting Rd., Jiuting Town, Songjiang Distric, Shanghai, which has been transferred and completed in July, 2019, along with getting the hand-over slip. The resulting gain on disposal of the aforementioned premises was as follows:

		RMB (thousand)	Equivalent to NT$ (thousand)
Revenue-compensation payments	$	66,214	289,916
Cost-noncurrent asset held for sale		(6,015)	(26,336)
land use right		(831)	(3,642)
Gain on disposal	$	59,368	259,938

As of the date the auditor's report is issued, the Group still has RMB13,243 thousand (equivalent to NT$57,983 thousand) compensation payment uncollected (accounted for as other receivable).

d. Net transferred amount in 2019 and 2018, respectively, was shown below:

		Years Ended December 31 2019	2018
Right-of-use assets transferred to non-current assets held for sale	$	3,642	-
Property, plant and equipment transferred from no-current assets held for sale		-	(64,876)
Non-current assets held for sale transferred from property, plant and equipment		45,309	80,964
Investment property transferred from non-current assets held for sale		(1,417)	(12,883)
Total	$	47,534	3,205

(8) Refundable deposits

		December 31 2019	December 31 2018
Bid bond for construction, and contract security deposit	$	276,478	263,809
Admission deposit for golf club		25,600	25,600

Membership deposit		400	400
Rental deposit		9,899	10,038
Depository court deposit		473	473
Others		1,679	1,691
Subtotle		314,529	302,011
Less: accumulated impairment loss		(1,800)	(1,800)
Total	$	312,729	300,211

		December 31 2019	December 31 2018
Current	$	200,534	220,233
Non-current		112,195	79,978
Total	$	312,729	300,211

a. The Group provided bank savings to be collateral of contract security deposit and bank acceptance bill, please refer to related disclosure in Note 8.

b. Accumulated impairment loss refers to the impairment loss of the golf card owned by the Company after assessment.

(9) Investments accounted for using equity method

a. Material associates: None.

b. Aggregated information of associates that are not individually material was summarized as follows:

Associates-carrying amount		December 31 2019	December 31 2018
Taiwan Calsonic Co., Ltd. (TWNCAL)	$	200,986	239,864
Evest Corporation		131,448	136,025
Total	$	332,434	375,889

Details of investments accounted for using equity method were as follows:

Associates-% of ownership or voting rights		
Taiwan Calsonic Co., Ltd. (TWNCAL)	20.16%	20.16%
Evest Corporation	41.22%	41.22%

(a) Associates

(i) Among associates, only TWNCAL is listed company. It's fair value was as follows:

		December 31 2019	December 31 2018
Fair value (market price)	$	395,385	147,705

(ii) The financial information of the Group's associates was summarized as follows:

The Group's share of profit (loss) of associates		Years Ended December 31 2019	2018
Net income (loss) for the year	$	(14,895)	8,566
Other comprehensive loss	$	(4,037)	(5,404)
Total comprehensive income (loss)	$	(18,932)	3,162

(b) No investments accounted for using equity method of the Group were pledged as collateral.

(c) The Group recognized share of profit or loss of its associates which financial statements were audited by CPA. One of associates, Evest Corporation, which financial statements were audited by other CPA.

(d) The Group received the cash dividend of NT$0 and NT$1,290 thousand from TWNCAL and NT$24,525 thousand and NT$7,007 thousand from Evest Corporation in 2019 and 2018, respectively.

(e) The related information of the Group's reinvestments and investment in Mainland China refers to Table 8 of Note 13(2) and Table 9 of Note 13(3), respectively.

(10) Property, plant and equipment

a. The movement of cost, depreciation and impairment loss of the Group's property plant and equipment was as follows:

		Land	Buildings	Machinery and Equipment	Other Equipment	Construction in progress	Total
Cost							
Balance at Jan. 1, 2019	$	1,094,926	4,419,194	2,367,608	1,399,040	1,581	9,282,349
Additions		-	5,297	16,504	35,969	55,750	113,520
Disposals		-	(17,626)	(13,114)	(34,515)	-	(65,255)

Transfers	-	(128,636)	5,171	5,000	(2,241)	(120,898)
Effect of exchange rate changes	-	(130,604)	(72,978)	(40,497)	(1,142)	(245,221)
Balance at Dec. 31, 2019	$ 1,094,926	4,147,425	2,303,191	1,365,005	53,948	8,964,495
Balance at Jan. 1, 2018	$ 1,061,833	4,514,648	2,440,127	1,431,553	283	9,448,444
Additions	-	6,518	19,794	29,336	1,594	57,242
Disposals	-	(53,881)	(74,157)	(43,774)	-	(171,812)
Transfers	33,093	11,583	14,124	72	(282)	58,590
Effect of exchange rate changes	-	(59,674)	(32,280)	(18,147)	(14)	(110,115)
Balance at Dec. 31, 2018	$ 1,094,926	4,419,194	2,367,608	1,399,040	1,581	9,282,349
Accumulated depreciation and impairment						
Balance at Jan. 1, 2019		$ (1,672,811)	(1,209,034)	(981,416)		(3,863,261)
Additions		(136,890)	(136,627)	(83,042)		(356,559)
Disposals		12,991	12,748	32,966		58,705
Transfers		63,880	-	19,821		83,701
Effect of exchange rate changes		56,905	34,226	6,087		97,218
Balance at Dec. 31, 2019		$ (1,675,925)	(1,298,687)	(1,005,584)		(3,980,196)
Balance at Jan. 1, 2018		$ (1,569,808)	(1,152,515)	(914,165)		(3,636,488)
Additions		(136,266)	(143,964)	(96,529)		(376,759)
Disposals		12,545	71,407	38,065		122,017
Transfers		(14,290)	2,755	306		(11,229)
Effect of exchange rate changes		35,008	13,283	(9,093)		39,198
Balance at Dec. 31, 2018		$ (1,672,811)	(1,209,034)	(981,416)		(3,863,261)
Carrying amounts						
Dec. 31, 2019	$ 1,094,926	2,471,500	1,004,504	359,421	53,948	4,984,299
Dec. 31, 2018	$ 1,094,926	2,746,383	1,158,574	417,624	1,581	5,419,088

b. Major contracts of construction in progress refer to Note 9(8).

c. The trade counterparts of equipments upon disposal were not related parties in 2019 and 2018, with net disposal gain of NT$1,151 thousand and NT$10,123 thousand, respectively and the carrying amount on disposal of equipments (scraped equipments excluded) was NT$762 thousand and NT$46,750 thousand, respectively.

d. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

e. The capitalization of borrowing interests attributable to the aforementioned assets was NT$0 in 2019 and 2018, respectively.

f. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(12).

g. Prepayment for equipment of the Group referred to the prepayment for equipment and property, which was accounted for as the non-current assets due to delivery unfinished.

h. The net transferred amount in 2019 and 2018, respectively, was shown below:

		Years Ended December 31	
		2019	2018
Transferred to non-current assets held-for-sale	$	(45,309)	(80,964)
Accounts receivable traded for house transferred to construction in progress		-	12,229
Non-current assets held-for-sale transferred to building		-	64,876
Inventories transferred to property, plant and equipment		1,947	396
Prepayment for equipment transferred to all kinds of equipment and construction in progress		6,165	17,141
Investment property transferred to land and building		-	33,683
Total	$	(37,197)	47,361

(11) Right-of-use assets - 2019

a. The movements in the cost, depreciation and impairment loss of the Company's right-of-use assets were as follows:

		Land	Buildings	Total
Cost or deemed cost				
Balance at January 1, 2019	$	-	7,792	7,792
Effect of retrospective application		305,587	-	305,587
Balance at January 1, 2019		305,587	7,792	313,379
Additions		-	44,328	44,328
Transfers		(7,467)	-	(7,467)
Exchange effect		(12,006)	(761)	(12,767)
Balance at December 31, 2019	$	286,114	51,359	337,473

Accumulated depreciation and impairment losses			
Balance at January 1, 2019	$ -	-	-
Effect of retrospective application	(71,554)	-	(71,554)
Balance at January 1, 2019	(71,554)	-	(71,554)
Depreciation	(6,004)	(15,110)	(21,114)
Transfers	3,825	-	3,825
Exchange effect	2,890	184	3,074
Balance at December 31, 2019	$ (70,843)	(14,926)	(85,769)
Carrying amounts			
December 31, 2019	$ 215,271	36,433	251,704

b. The aforementioned land referred to the right-of-use assets-land reclassified from long-term prepaid rents in January 1, 2019, which Yungtay Elevator (China), Yungtay Elevator Tianjin (China), Yungtay Elevator Sichuan (China) and Jiyi Electric Co. (Shanghai, China) have leased from Mainland China on a straight-line basis over the lease terms of 50years.

c. The net amount of transterral in 2019 and 2018, respectively was as follows:

	Years Ended December 31	
	2019	2018
Noncurrent assets held for sale transferred from right-of-use assets	$ (3,642)	-

d. The items of liabilities and profit or loss associated with lease contracts please refer to Note 6(17) for details.

(12) Investment properties, net

a. The movement of cost, depreciation and impairment loss of the Group's investment properties was as follows:

	Land	Buildings	Total
Cost or Deemed Cost			
Balance at Jan. 1, 2019	$ 599,358	427,934	1,027,292
Disposals	-	(11,483)	(11,483)
Transfers	-	1,916	1,916
Effect of exchange rate changes	-	(4,108)	(4,108)
Balance at Dec. 31, 2019	$ 599,358	414,259	1,013,617

Balance at Jan. 1, 2018	$	632,451	446,708	1,079,159
Disposals		-	(9,563)	(9,563)
Transfers		(33,093)	(7,334)	(40,427)
Effect of exchange rate changes		-	(1,877)	(1,877)
Balance at Dec. 31, 2018	$	599,358	427,934	1,027,292
<u>Accumulated depreciation and impairment</u>				
Balance at Jan. 1, 2019	$	(818)	(208,362)	(209,180)
Depreciation expense		-	(7,510)	(7,510)
Disposals		-	3,680	3,680
Transfers		-	(499)	(499)
Effect of exchange rate changes		-	1,132	1,132
Balance at Dec. 31, 2019	$	(818)	(211,559)	(212,377)
Balance at Jan. 1, 2018	$	(818)	(222,138)	(222,956)
Depreciation expense		-	(7,992)	(7,992)
Disposals		-	1,075	1,075
Transfers		-	19,627	19,627
Gain from impairment recovery		-	590	590
Effect of exchange rate changes		-	476	476
Balance at Dec. 31, 2018	$	(818)	(208,362)	(209,180)
<u>Carrying amounts</u>				
Dec. 31, 2019	$	598,540	202,700	801,240
Dec. 31, 2018	$	598,540	219,572	818,112

		Years Ended December 31	
		2019	2018
The rental income from investment properties	$	25,492	24,624
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(1,618)	(1,749)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(68)	(83)
Total	$	23,806	22,792

b. The net transferred amount in 2019 and 2018, respectively, was shown below:

		Years Ended December 31	
		2019	2018
non-current assets held for sale unsold over 2 years transferred to investment properties	$	1,417	12,883
Investment properties transferred to land and building		-	(33,683)
Total	$	1,417	(20,800)

c. The counterparties on disposal of equipment were non-related parties in 2019 and 2018, respectively, and net gain (loss) on disposal was NT$1,065 thousand and NT$(467) thousand, with carrying amounts of NT$7,803 thousand and NT$8,488 thousand, in 2019 and 2018, respectively.

d. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

e. In order to get the information of the fair value of the Company's investment properties, the Company referred to the actual registered selling prices of the nearby real estates provided by local agents in R.O.C., and the fair value of Yungtay Elevator (China) Company's investment properties was referred to the information regarding the transaction price of the nearby real estates provided by the agent company in the territory of China. The market price of the aforesaid investment properties was NT$1,757,190 thousand and NT$1,684,840 thousand as at December 31, 2019 and 2018, respectively.

f. There is no significant part to the aforesaid investment properties, and the related depreciation is calculated using the estimated useful lives, please refer to Note 4(13).

(13) Intangible assets

a. The movement of cost, amortization and impairment loss of the Group's intangible assets was as follows:

		Goodwill	Computer Software	Membership Qualification of Golf Club	Total
Cost					
Balance at Jan. 1, 2019	$	260,773	125,550	10,723	397,046
Additions		-	443	-	443
Elimination		-	(23,717)	-	(23,717)
Transfers		-	(533)	-	(533)
Effect of exchange rate changes		(3,125)	(3,692)	(427)	(7,244)
Balance at Dec. 31, 2019	$	257,648	98,051	10,296	365,995
Balance at Jan. 1, 2018	$	252,652	125,020	10,912	388,584
Additions		-	3,768	-	3,768
Elimination		-	(1,435)	-	(1,435)
Effect of exchange rate changes		8,121	(1,803)	(189)	6,129
Balance at Dec. 31, 2018	$	260,773	125,550	10,723	397,046
Accumulated amortization and impairment					
Balance at Jan. 1, 2019	$	(260,773)	(82,247)	(1,404)	(344,424)
Additions		-	(12,804)	(300)	(13,104)
Disposals		-	-	-	-
Elimination		-	23,717	-	23,717
Transfers		-	533	-	533
Effect of exchange rate changes		3,125	2,420	62	5,607
Balance at Dec. 31, 2019	$	(257,648)	(68,381)	(1,642)	(327,671)
Balance at Jan. 1, 2018	$	(130,724)	(71,166)	(1,117)	(203,007)
Additions		-	(13,600)	(309)	(13,909)
Disposals		-	-	-	-
Elimination		-	1,435	-	1,435
Impairment loss		(123,888)	-	-	(123,888)
Effect of exchange rate changes		(6,161)	1,084	22	(5,055)
Balance at Dec. 31, 2018	$	(260,773)	(82,247)	(1,404)	(344,424)
Carrying amounts					
Dec. 31, 2019	$	-	29,670	8,654	38,324
Dec. 31, 2018	$	-	43,303	9,319	52,622

b. At the end of each reporting period, the Group conducts the impairment tests at the cash-generating unit (CGU) to which goodwill has been allocated. The recoverable amount of CGU is the higher of CGU's net fair value or its value in use, and value in use is determined by the cash flows of the Group's future 5-years' financial budget. The cash flows of financial budget are estimated based on the changes of future annual revenue, profit margin, and other operating cost. The future 5-years' cash flows are discounted to their present value using a pre-tax discount rate. The expected profit margin rates are determined by the previous years' performance and the development of elevator market. The adoption of revenue growth rate is consistent with that of industry prediction. Furthermore, the pre-tax discount rate has already reflected the specific risk of the related operating segments. The impairment loss for the balance of goodwill, amounting to NT$123,888 thousand, has been totally recognized in profit or loss as at December 31, 2018.

c. The intangible assets other than goodwill were depreciated using the straight-line method over their useful lives, please refer to Note 4(15) for details.

(14) Long-term prepaid rents

a. The movement of cost and amortization of the Group's long-term prepaid rents was as follows:

Cost		
Balance at Jan. 1, 2019	$	305,587
Effect of retrospective application		(305,587)
Balance at Jan. 1, 2019		-
Transfers		-
Effect of exchange rate changes		-
Balance at Dec. 31, 2019	$	-
Balance at Jan. 1, 2018	$	310,977
Transfers		-
Effect of exchange rate changes		(5,390)
Balance at Dec. 31, 2018	$	305,587

Accumulated amortization

Balance at Jan. 1, 2019	$	71,554
Effect of retrospective application		(71,554)
Balance at Jan. 1, 2019		-
Amortization expense		-
Effect of exchange rate changes		-
Balance at Dec. 31, 2019	$	-
Balance at Jan. 1, 2018	$	(66,295)
Amortization expense		(6,462)
Effect of exchange rate changes		1,203
Balance at Dec. 31, 2018	$	(71,554)

Carrying amounts

Dec. 31, 2019	$	-
Dec. 31, 2018	$	234,033

b. The aforesaid long-term prepaid rents refer to the land-use right which Yungtay Elevator (China), Tainjin Yungtay, Sichuan Yungtay and Shanghai Jiyi have leased from Mainland China for 50 years of lease term. The land-use right is amortized using the straight-line method.

c. The Group's long-term prepaid rents have been reclassified to the item of right-of-use assets. Please refer to Note 6(11) for the relevant information.

(15) Contract liabilities-current

		December 31 2019	December 31 2018
Elevator	$	6,042,973	6,013,578
Construction machinery		32,489	34,368
Rental		1,520	1,494
Others		-	528
Total	$	6,076,982	6,049,968

(16) Other payables

		December 31 2019	December 31 2018
Accrued bonus, wages and welfare fee	$	407,081	411,838
Accrued value-added tax payable		93,490	45,450
Accrued agency commission		153,784	167,917
Compensation payable to employees and directors		53,450	36,846
Payables on equipment		16,478	14,676
Accrued short-term paid leave payable (refer to Note 6(19).c.)		49,123	47,697
Other payables-other		139,205	131,930
Total	$	912,611	856,354

(17) Lease liabilities

		Dec. 31 2019	Year Ended Dec. 31 2019	Dec. 31 2019
		Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Not later than 1 year	$	18,770	714	18,056
Later than 1 year and not later than 5 years		19,125	410	18,715
Later than 5 years		100	-	100
	$	37,995	1,124	36,871
Current	$	18,770	714	18,056
Noncurrent	$	19,225	410	18,815

The Group had no significant increase or decrease in lease liabilities, resulting from the addition or termination of lease in 2019.

Amounts recognized in profit or loss were as follows:

	Year Ended December 31 2019
Interest expense on lease liabilities	913
Expense relating to short-term leases	38,060
Expense relating to leases of low-value assets (excluding short-term leases of low-value assets)	3,455

Amounts recognized in the statements of cash flows were as follows:

		Year Ended December 31
		2019
Rental expense	$	41,515
Interest expense		913
Repayments of lease		15,576
Total cash outflows for leases	$	58,004

a. Leases of lands and buildings

The Group leases lands and buildings as plant, branch offices and substation, with lease terms of almost 50 years for land, and with lease terms of 2 to 5 years.

Lease payments of some contracts will be adjusted based on the change of local price index. And some lease contracts contain the options of extending the lease terms. Those contracts are managed by district, respectively. The specific terms and conditions of every contract are quite different. The Group is entitled to the options of implementation to which the lessor is not entitled. Under failure to make sure reasonably of the options of implementation of extending the lease terms, the related lease payments of the covering periods accompanied by the options will not be accounted for as the lease liabilities.

b. Others

The Group elects, when applying exemption to som contracts, not to recognize lease liabilities and right-of-use assets for leasing some office equipments, company's branch office and substation, on account of either short-term leases within 1 year or leases of low value, and shall instead recognize the lease payments associated with those leases as an expense.

(18) Guarantee deposits received

		December 31 2019	December 31 2018
Guarantee deposit from agent's installation	$	111,011	55,775
Tender security		89,466	58,003

Rental deposit		4,586	4,520
Other		509	-
Total	$	205,572	118,298

Current	$	20,444	-
Non-current		185,128	118,298
Total	$	205,572	118,298

(19) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Group were as follows:

		December 31 2019	December 31 2018
Present value of defined benefit obligation	$	(1,620,407)	(1,679,914)
Plan assets at fair value		1,289,709	1,166,392
Net defined benefit liability	$	(330,698)	(513,522)

The Group has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Group contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2019 and 2018, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Group assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan shan life insurance nonforfeieure values amounted to NT$1,289,709 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan.

(b) Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 1,679,914	1,695,108
Current service cost and interest expense	33,948	41,180
Net remeasurements on defined benefit liabilities:		
- Actuarial loss arising from experience adjustments	(18,576)	(12,143)
- Actuarial loss arising from changes in demographic assumptions	-	(6)
- Actuarial loss (gain) arising from changes in financial assumptions	6,960	37,769
Benefits paid	(81,839)	(75,568)
Effect of plan settlements	-	(6,426)
Balance, end of year	$ 1,620,407	1,679,914

(c) Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 1,166,392	978,394
Interest income	8,745	10,627

Net remeasurement on defined benefit assets:		
Return on plan assets (excluding the interest expense)	43,715	19,793
Contributions paid by employer	152,696	229,951
Benefits paid	(81,839)	(72,373)
Balance, end of year	$ 1,289,709	1,166,392

(d) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	Years Ended December 31	
	2019	2018
Operating cost	$ 20,016	25,954
Administrative expenses	2,768	1,808
Research and development expenses	2,419	2,482
Pension costs	$ 25,203	30,244

(e) Gain (Loss) of remeasurement of the defined benefit plans after income tax recognized in other comprehensive income:

	Years Ended December 31	
	2019	2018
Recognized for the year	$ 44,265	(4,662)
Accumulated amount	$ (185,626)	(229,891)

(f) Actuarial assumptions

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

	December 31 2019	December 31 2018
Discount rate	0.70%	0.75%
Expected rate of salary increase	2.00%	2.00%

(g) Historical information in relation to experience adjustments

The movement of the present value of defined benefit obligation for the years ended December 31, 2019 and 2018, respectively, was set forth below:

		December 31 2019	December 31 2018
Present value of defined benefit plan	$	(1,620,407)	(1,679,914)
Plan assets at fair value		1,289,709	1,166,392
Net defined benefit liability	$	(330,698)	(513,522)
Experience adjustments of present value of defined benefit plan	$	18,576	12,143
Experience adjustments of fair value of plan assets	$	43,715	19,793

The Company expects to make contributions of NT$69,403 thousand to the defined benefit plans in the next year starting from December 31, 2019. The weighted average duration of the defined benefit obligation is 8 years.

(h) When computing the present value of defined benefit obligation, the Company has to make judgment and estimation to determine the relevant actuarial assumption at the balance sheet date, including the change of discount rate and future salary. The Company's defined benefit obligations would be affected significantly due to the change of any actuarial assumption.

As at December 31, 2019, the carrying amount of the Company's net defined benefit liabilities was NT$330,698 thousand. When the discount rate is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will decrease NT$34,351 thousand or increase NT$35,449 thousand; When the rate of future salary increase is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will increase NT$34,903 thousand or decrease NT$34,002 thousand.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Group has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Group recognized expenses of NT$296,729 thousand and NT$300,665 thousand for the years ended December 31, 2019 and 2018, respectively.

c. Short-term paid leave payable

The Group recognized short-term paid leave payable of NT$49,123 thousand and NT$47,697 thousand as of December 31, 2019 and 2018, respectively.

(20) Equity

a. Capital stock

		December 31 2019	December 31 2018
(a) Authorized shares (in thousands)		460,000	460,000
Authorized capital (in thousands)	$	4,600,000	4,600,000
Issued and paid shares (in thousands)		410,820	410,820
Issued capital (in thousands)	$	4,108,200	4,108,200

(b) The Company has 408,690,200 ordinary shares outstanding at the beginning and the ending of year (the treasury stocks of 2,129,800 shares excluded), for the years ended December 31, 2019 and 2018.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

(a) Legal reserve at 10% of the remaining profit;

(b) Special reserve in accordance with the resolution in the shareholders' meeting;

(c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2018 and 2017 were approved in the Company shareholders' meetings held on June 18, 2019 and June 28, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2018	For Fiscal Year 2017	For Fiscal Year 2018	For Fiscal Year 2017
Legal reserve	$ 67,474	112,789	-	-
Special reserve	$ 923	-	-	-
Cash dividends to shareholders	$ 739,476	821,640	1.8	2.0

The Company's appropriations of earnings for 2019 was approved in the Board of Directors meeting held on March 25, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
	For Fiscal Year 2019	For Fiscal Year 2019
Legal reserve	$ 93,967	
Special reserve	306,716	
Cash dividends to shareholders	985,968	2.4
Total	$ 1,386,651	

The appropriation of earnings for 2019 are to be resolved in the Company shareholders' meeting which is expected to be held on June 18, 2020, and please go to the Market Observation Post System website of the Taiwan Stock Exchange for information on the appropriation of earnings for 2019 when the Company shareholders' meeting is over.

d. Employees' compensation and remuneration to directors

(a) According to the Articles of Incorporation of the Company, the ratio of no less than 1% of pre-tax profit before the distribution of employees' compensation and remuneration for directors for employees' compensation and no more than 1% for directors' remuneration were accrued in 2019 and 2018, respectively, as follows:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 44,978	-	28,777	-
Directors' remuneration	$ 4,998	-	3,569	-

If the aforementioned amounts has changed after the annual financial reports being authorized for issue, the difference would be treated as a change in the accounting estimate and recognized as next year's profit or loss.

(b) The employees' compensation and directors' remuneration for 2018 and 2017 resolved by the Board of Director convened on May 13, 2019 and March 15, 2018, respectively, were as follows:

	Years Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 38,249	-	42,608	-
Directors' remuneration	$ 4,250	-	4,734	-

The discrepancy between the actual distributed amount resolved by the Board of Directors and the estimated figure recognized in the annual financial report, are recorded as a change in the accounting estimate and recognized as next years' profit or loss.

The information on the employees' compensation and directors' remuneration can be obtained from the Market Observation Post System on the website of the Taiwan Stock Exchange.

e. Other equity

(a) Exchange differences on translation of foreign operations

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	24,756	155,476
Exchange differences arising on translation of foreign operations		(303,556)	(126,295)
Shares of other comprehensive income (loss) of associates accounted for using equity method		6,152	(4,425)
Balance, end of year	$	(284,952)	24,756

(b) Unrealized gain (loss) on financial assets at FVTOCI

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	(25,679)	(14,969)
Changes in share of other comprehensive income (loss) of associates accounted for using equity method		5,007	(909)
Recognized during the period		(2,015)	(9,801)
Balance, end of year	$	(22,687)	(25,679)

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in repect of the Company's share held by the subsidiary "Yungjiun" was as follows:

	Holding Shares	Initial Cost	Market Price
December 31, 2019	2,129,800	69,411	136,946
December 31, 2018	2,129,800	$ 69,411	126,084

(21) Operating revenue

The relevant information of the Group's revenue from contracts with customers for the years ended December 31, 2019 and 2018, respectively, was as follows:

	Years Ended December 31	
	2019	2018
Net revenue from sales of goods	$ 9,296,121	10,572,410
Net revenue from services		
Maintenance and repair	4,396,753	4,261,531
Rental	25,474	24,687
Total	$ 13,718,348	14,858,628

a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Group sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.

b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

	December 31 2019	December 31 2018
Current	$ 209,403	269,051
Non-current	$ 86,700	91,131

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Disaggregation of revenue from contracts with customers

Please refer to Note 14: Segments Information (2).

e. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Sales of goods	$ 6,049,968	6,076,982	27,014

f. Incremental costs of obtaining contracts

Please see Note 6(6).

(22) Non-operating income and expenses

	Years Ended December 31	
	2019	2018
a. Other income		
Interest income	$ 68,394	63,635
Dividend income	29,115	12,406
Total	$ 97,509	76,041
b. Government grants	$ 12,972	11,891
c. Other gains and losses		
Net gain (loss) on financial assets at FVTPL	$ 3,421	(4,756)
Impairment (loss) -non-current assets held for sale	(10,000)	(414)
Gain from recovery of impairment-investment properties	-	590
Net gain on disposal of property, plant and equipment	1,151	10,123
Gain (loss) on disposal of investment properties	1,065	(467)
Net gain on disposal of non-current assets held for sale	259,938	-
Net (loss) on obsolescence of property, plant and equipment	(5,788)	(3,045)
Penalty and compensation income	4,929	21,705
Foreign exchange gain (loss), net	850	(246)
Impairment (loss) on goodwill	-	(123,888)

Other income transferred from overdue consignment fee accured	11,159	36,680
Other gains	34,052	46,360
Total	$ 300,777	(17,358)

d. Finance costs

Interest expense	$ (50)	(105)
Interest expense on lease liabilities	(913)	-
Total	$ (963)	(105)

e. Shares of (loss)/profit of associates accounted for using equity method	$ (14,895)	8,566

(a) Interest income included the interest income earned from structured financing product (accounted for as financial assets at FVTPL) for the year ended December 31 held by Yungtay (China).

(b) Penalty and compensation income referred to the confiscated deposits due to the customers' failure of implementing the contract of purchases.

(c) The resulting gain of NT$259,938 thousand on disposal of noncurrent assets held for sale in July, 2019, please refer to 6(7)c for details.

(23) Summary of employee benefits, depreciation and amortization expenses by function:

	2019			2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	1,987,451	1,172,549	3,160,000	1,925,917	1,120,806	3,046,723
Labor and health insurance	194,068	90,503	284,571	193,173	91,459	284,632
Pension cost	193,800	131,614	325,414	200,733	132,186	332,919
Other benefits expenses	202,314	71,723	274,037	198,284	71,961	270,245
Depreciation expenses	211,198	152,870	364,069	222,580	162,171	384,751
Depreciation expenses-right-of-use assets	14,336	6,778	21,114	-	-	-
Amortization expenses	110	12,994	13,104	112	13,797	13,909

As of December 31, 2019 and 2018, the Group had employees of 5,165 and 5,196, respectively, and the computing basis was consistent with that of employee benefits expenses.

(24) Income tax

a. Major components of income tax expense were as follows:

		Years Ended December 31	
		2019	2018
Current income tax expense			
Current tax expense recognized in the current year	$	279,764	218,578
Income tax on unappropriated earnings		2,617	11,150
Investment tax credit		(3,000)	(3,000)
Land incremental tax		-	99
		279,381	226,827
Deferred income tax expense (benefit)			
Temporary differences (Note)		(13,673)	120,967
Effect of deferred tax resulting from changes of income tax rate		-	(24,868)
Income tax expense recognized in profit or loss	$	265,708	322,926

(Note): The effect of exchange rate changes was included in the difference between deferred income tax (benefit) and deferred income tax assets and liabilities.

b. Income tax expense (benefit) recognized in other comprehensive income

		Years Ended December 31	
		2019	2018
Related to remeasurement of defined benefit obligation	$	11,066	(1,165)

c. A reconciliation of accounting income before income tax and income tax expense recognized in profit or loss was as follows:

		Years Ended December 31	
		2019	2018
Income before tax	$	1,245,157	1,054,669
Income tax expense at the statutory rate	$	265,271	224,029
Tax effect of adjusting items:			
Deductible items in determining taxable income		15,254	(4,688)
Undeductible loss carryforward		(761)	(763)

Additional income tax on unappropriated earnings		2,617	11,150
Tax effect of investment tax credits		(3,000)	(3,000)
The origination and reversal of temporary differences		(13,673)	120,967
Land incremental tax		-	99
Effect of deferred tax resulting from changes of income tax rate		-	(24,868)
Income tax expense recognized in profit or loss	$	265,708	322,926

d. The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

		Years Ended December 31	
		2019	2018
Deferred income tax assets			
Differences of time of recognized revenue	$	253,742	235,784
Short-term employees' benefits		10,934	10,637
Bad debts loss		99,278	95,078
Loss provision for non-current assets held for sale and investment properties		4,135	1,755
Accrued expenses		38,446	41,979
Unrealized net sales profit among parent and subsidiaries		10,673	7,552
Differences of depreciation expenses pertained to years		92	138
Unrealized foreign exchange loss		6,746	6,461
Unrealized investment loss of investee co.		1,826	1,826
Temporary credits overdue 2 years		-	36
Difference of pension appropriation		66,140	102,705
Undeductible loss carryforward		124,096	129,237
Total	$	616,108	633,188
Deferred income tax liabilities			
Land incremental tax	$	(2,702)	(2,702)
Temporary differences of depreciation expense		(2,173)	(3,394)
Total	$	(4,875)	(6,096)

e. Income tax assessments

The tax authorities have examined and approved the income tax returns of the Company through 2017.

(25) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

	Years Ended December 31	
	2019	2018
Net income available to common shareholders of the parent	939,668	674,747
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,200	408,690,200
Basic earnings per share (NT$)	2.30	1.65

(26) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

		Years Ended December 31	
		2019	2018
Acquisition of property, plant and equipment	$	113,520	57,242
Plus: payables on equipment at beginning of year		14,676	29,661
Less: payables on equipment at ending of year		(16,478)	(14,676)
Effect of exchange rate changes		(634)	(390)
Cash paid in the year	$	111,084	71,837

		Years Ended December 31	
		2019	2018
Disposal of noncurrent assets held for sale	$	289,916	-
Plus: beginning proceeds from disposal of equipment receivable (accounted for other receivable)		-	-

Less: Ending proceeds from disposal of equipment receivable (accounted for other receivable)	(56,816)	-
Effect of exchange rate changes	(1,167)	-
Cash received for current year	$ 231,933	-

The description on other receivable, please see Note 6(7).c.

7. Related party transactions

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

(1) Related party name and categories

Related Party Name	Related Party Categories
Taiwan Calsonic Co., Ltd. ("TWNCAL")	Associate
Japan Hitachi Construction Machinery Co., Ltd. ("JHCMC")	Other related party - Investing company accounted for using equity method to YHCMC, subsidiary of the Company
Evest Corporation ("Evest")	Associate
Hitachi, Ltd.	Other related party (as related party since 2018)
Yungtay Education and Culture Foundation ("YECF")	Main Donee of the Company
Yungtay Social Welfare Foundation ("YSWF")	Main Donee of the Company
All directors and the Group's key management (including general manager and executive vice presidents)	

(2) Significant transactions between the Group and related parties:

a. Sales revenue

Related Party Categories	Years Ended December 31 2019	2018
TWNCAL	$ -	680
Hitachi, Ltd.	27,918	17,688
Total	$ 27,918	18,368

The rail connecting plates have been sold by the Group to Hitachi, Ltd. Due to no other similar products sold to non-related parties, there is no identical transaction with which to compare. Consequently, the aforementioned products have been sold on condition of sales price and terms as agreed and the payments are collected from 1 month to 3 months after the delivery of goods.

b. Maintenance Revenue

Related Party Categories		Years Ended December 31 2019	Years Ended December 31 2018
TWNCAL	$	7	-
Evest		104	79
Total	$	111	79

c. Rental Income

Related Party Categories		Years Ended December 31 2019	Years Ended December 31 2018
Evest	$	6,691	6,691

Related Party Categories		Accounts and Notes Receivable December 31, 2019	Accounts and Notes Receivable December 31, 2018
TWNCAL	$	7	554
Evest		1,803	1,801
Hitachi, Ltd.		2,645	-
Total	$	4,455	2,355

The Group rents out Luzu plant and computer software system to related parties. The rental price collected from the related parties is the same as that of the ordinary lessee, nevertheless, Evest issues check per month according to the contract signed by the Company and Evest, unlike the ordinary lessee who issues the check once a year, depending on the lease term with different time to cash check.

d. Purchases

Related Party Categories	Years Ended December 31 2019	2018
TWNCAL	$ 103	676
JHCMC	520,777	486,782
Hitachi, Ltd.	11,922	64,110
Total	$ 532,802	551,568

Related Party Categories	Accounts and Notes Payable December 31, 2019	December 31, 2018
TWNCAL	$ 48	86
JHCMC	138,722	108,294
Hitachi, Ltd.	39	5,387
Total	$ 138,809	113,767

(a) The Group purchases electrical parts from TWNCAL; purchases construction machinery such as crane, excavator and parts for repair and maintenance from JHCMC as well as purchases finished high-speed elevator and subsequent parts for repair and maintenance of Hitachi brand designated by customers from Hitachi, Ltd. (Note: the elevator attributed to Yungtay brand would never buy the related parts and components from Hitachi, Ltd.)

(b) Due to failing to purchase the same goods from non-related parties, there is no similar transaction with witch to compare for the purchases among the Group and related parties, all purchases transaction is conducted in accordance with the given purchase price and term. The payment terms for the purchases from related parties are not significantly different from those with third-party vendors, and payables are paid from 1 month to 4 months.

e. Others

Accounting Items	Related Party Categories	December 31, 2019	December 31, 2018
Other receivable	Evest	$ 181	195
Advances received	TWNCAL	$ -	528
Guarantee deposit received	Evest	$ 577	577

Accounting Items	Related Party Categories		December 31, 2019	December 31, 2018
Management expenses	TWNCAL	$	95	249
	JHCMC		-	132
	Total	$	95	381
Manufacturing overhead	TWNCAL	$	152	3
Maintenance cost	TWNCAL	$	651	395
Installations cost	TWNCAL	$	-	2
Finance cost	Evest	$	6	6
Other income	TWNCAL	$	528	528
	Evest		10	11
	JHCMC		1,400	1,341
	Total	$	1,938	1,880
General and administrative expenses-Donation	YSWF	$	4,200	2,100
	YECF		4,200	6,300
	Total	$	8,400	8,400

f. Property transactions: None.

g. Remuneration to directors and key management

Payment Item		Years Ended December 31 2019	2018
Short-term employee benefits	$	81,801	89,457
Post-employment benefits		12,617	322
Other long-term employee benefits		34	50
Total	$	94,452	89,829

8. Pledged (Mortgaged) assets

The Group provided the following assets as collaterals:

Item	Purpose		December 31, 2019	December 31, 2018
Current assets- refundable deposits (Restricted bank deposits)	Contract security deposits	$	133,075	121,528
Property, plant and equipment and investment properties -Land	Collateral for long -term bank loans (net yet revoked)		458,051	458,051
Property, plant and equipment and investment properties -Buildings	Collateral for long -term bank loans (net yet revoked)		12,909	17,664
Total		$	604,035	597,243

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The future lease payment under the non-cancellable operating lease are as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	-	8,499
Later than 1 year and not later than 5 years		-	7,358
Later than 5 years		-	-
Total	$	-	15,857

2019

The Company adopted IFRS 16 to lease arrangements since January 1, 2019. Related information please refer to Note 6(11) and Note 6(17).

2018

The above operating leases classified under profit or loss amounted to NT$60,863 thousand in 2018, respectively.

The lease of office was signed accompanied by the lease of land and building. Due to failing to transfer the title of land and rental, paid to the landlord, being increasing regularly up to the market level as well as the Group not bearing the residual value of the building, it is the landlord who resumes almost all the risks and returns of the building. Consequently, the Group affirms that the aforementioned lease is recognized as operating lease.

(2) Lessor's lease arrangements

The Group leased its investment properties by way of operating lease, please refer to Note 6(12). The future minimum lease receivable under the non-cancellable leasing period is as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	21,683	6,214
Later than 1 year and not later than 5 years		28,289	3,648
Later than 5 years		-	-
Total	$	49,972	9,862

(3) The amount of unused letters of credit: None.

(4) The Company and Yungtay Hitachi Construction Machinery Co., Ltd. received the downpayments and issued the secured promissory notes amounting to NT$144,069 thousand and NT$142,540 thousand as of December 31, 2019 and 2018, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

		December 31 2019	December 31 2018
Chang Hwa Bank - Chengtung Branch	$	23,571	35,467
Mizuho Bank – Taipei Branch		19,243	2,005
Mega Bank – Chungshan Branch		12,424	6,479
Total	$	55,238	43,951

(6) Yungtay Elevator (China) got the comprehensive credit line of US$6,000 thousand from Mizuho Corporate bank Ltd. (China), among which the balance of the opened and unused letters of credit was NT$0 as of December 31, 2019 and 2018, respectively.

(7) Responding to the needs of the clients with whom the Company has provided the specific elevators of the brand of non-Yungtay, the Company has entered into co-operation contracts with Hitachi, Ltd. as follows:

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
1.	Sep. 30, 2019 ~Sep. 29, 2024	Providing the related techniques of elevator the installation of elevator and escalator, adjustment, and check, maintenance quality assurance and remote monitoring dignosis.	Pays US$50 per elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
2.	June 1, 2015 ~May 31, 2020	High-speed inverter control elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
3.	May 22, 2017 ~May 21, 2022	Machine-roomless elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
4.	May 22, 2017 ~May 21, 2022	Large-scale freight elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
5.	Nov. 1, 2016 ~Oct. 31, 2021	High-speed inverter control elevator (HVF3 Votage type)	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

The technical compensation fees, accounted for as expenses in 2019 and 2018, respectively, and calculated in accordance with the above co-operation contracts were as follows:

	Years Ended December 31	
	2019	2018
No. of contract	Amount	Amount
1	$ 44	794
2	261	759
3	-	-
4	-	-
5	-	89
Total	$ 305	1,642

The amounts and ratio of the Company's elevators sold in 2019 and 2018, respectively, by the category of brand were as follows:

	Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Brand-Yungtay	2,246,699	100.00	2,444,066	98.89
Brand-Hitachi	-	-	27,391	1.11

(8) Major contracts of property, plant and equipment-construction in progress:

Year	Major Construction Item	Total Contract Price
2019	Yungtay Elevator (China)	
	· Interior construction of 5th and 6th floor of employees' dormitory	RMB 5,300 thousand
	· Civil work of escalator plant A	RMB 5,300 thousand
	· Interior construction of 7th floor of employees' dormitory	RMB 970 thousand
	· Interior construction of escalator plant A	RMB 910 thousand
		(Total equivalent to NT$54,642 thousand)
2018	None.	

(9) Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCMC") sold one crane (SCX 2800-2) to customer named Kuan Zon Construction Co., Ltd. This transaction dispute lawsuit was in relation to goods with the total price of JP¥ 180,000,000 (equivalent to NT$70,562,700). The verdict of Taiwan Supreme Court to this case was to confirm that this sales transaction did exisit effectively and that it was not necessary to return the consideration. YHCMC reversed the account of allowance for inventory decline loss amounting to NT$40,000,000 and the account of allowance for sales returns amounting to NT$63,000,000. In the meantime, the inventory in transit was transferred to cost of goods sold amounting to NT$63,000,000. The payment for goods has been collected without mistake.

10. Significant loss from disaster: None.

11. Significant subsequent events:

Due to the spreading of novel coronavirus (COVID-19) and in response to take necessary precautions in Mainland China to extend Lunar New Year holidays, the Company's subsidiaries and associates in China have to postpone their business. As at the reporting date of 2019 the Company's financial reports, in spite that most employees of the Company's subsidiaries and associates have returned to work, the related loss which is most likely to happen, resulting from the infection of COVID-19, is still not able to be estimated reasonably.

12. Others

(1) Financial instruments

a. Categories of financial instruments

		December 31 2019	December 31 2018
Financial assets			
FVTPL-current	$	791,342	529,668
FVTOCI-current and non-current		181,252	173,980
Cash and cash equivalents		3,903,861	3,875,535
Notes and accounts receivable (including related party)		3,632,477	3,679,784
Other receivables		62,103	8,736
Refundable deposits		312,729	300,211
Other non-current assets-long-term notes receivable		17,221	22,029
Other non-current assets-others (preferred stock-golf certificate)		5,520	5,520
Financial liabilities			
FVTPL-current	$	4,445	-
Notes and accounts payable (including related party)		2,238,574	2,032,069
Other payables		912,611	856,354
Lease liabilities		36,871	-
Current income tax liabilities		133,816	233,190
Net defined benefit liabilities-non-current		330,698	513,522
Guarantee deposits received		205,572	118,298

b. Credit risk

(a) Exposure of credit risk

The Group's mainly potentially credit risk arises principally from cash and receivables from customers. Cash deposits in different financial institution. The Group has controlled the exposure to the credit risk of every financial institution, and cash would not have significant concentration of credit risk. Receivables are in the normal collection period, which have been assessed to provide appropriate loss allowance rate and assessed to be adequate for the loss allowance periodically. Consequently, there is no significant credit risk for cash and receivables.

The Group's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2019 and 2018, the accounts receivable of selling elevators accounted for 97.76% and 98.50% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The Group adopts the policy of the collection agreed and the contract signed individually to the sale of elevator, and the resulting accounts receivable bears no interest. The policy the Group adopts that only the counterparty whose credit rating is up to the level of investment is qualify to do the transaction with the Group, and if necessary, upon the Group's request, the full guarantee is required to mitigate the resulting risk of financial loss on account of delinquency. The Group will utilize other publicly available financial information and historical transaction records to give credit-rating to major customers. The Group keeps on monitoring credit exposure and the credit-rating of counterparty. Besides, the financial division would review and approve the line of credit of counterpart to manage the credit exposure.

To alleviate the credit risk, the management of the Group assigns ad hoc group who is in charge of the decision of line of credit, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has been taken proper action.

Other than this, the Group would review the recovery amount of accounts receivable one by one on balance sheet sheet day to make sure that the appropriate impairment loss has been provided for the uncoverable receivables. Consequently, the Company's management has considered that the Group's credit risk has been significantly reduced.

The Group has adopted the simplified method of IFRS 9, i.e. the loss allowance for accounts receivable is recognized at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are computed using provision matrix, which measures costomer's past default record, current financial position, industrial economic situation and also measures forecast of GDP and industrial outlook as well. From the historical experience of the Group's credit loss, there is no significant difference for the loss type resulting from different customers' group.

Thus, the provision matrix is not further identified different customers' group and instead sets up the rate of expected credit loss by overdue days of accounts receivable.

If there is any indication that the counterparty is facing serious financial difficulty and his recoverable amount can not be reasonably predicted, the Group will write-off the relevant accounts receivable. Nevertheless, the recourse activities will continue, and the recoverable amount due to recourse would be recognized in profit or loss.

c. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Group manages its liquidity risk by maintaining adequate cash and cash equivalent.

December 31, 2019		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	310,154	310,154	310,154	-	-
Accounts payable		1,928,420	1,928,420	1,928,420	-	-
Other payables		912,611	912,611	912,611	-	-
Lease liatilities		36,871	36,871	18,056	18,715	100

December 31, 2018		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	332,280	332,280	332,280	-	-
Accounts payable		1,699,789	1,699,789	1,699,789	-	-
Other payables		856,354	856,354	856,354	-	-

d. Exchange rate risk

- The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2019			
Financial asset			
Monetary items			
USD	3,133	29.93	93,776
JPY	31,369	0.274	8,595

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
RMB	2,778	4.280	11,890
HKD	213	3.891	829
EUR	-	33.39	-
Financial liabilities			
Monetary items			
USD	1,150	30.03	34,542
JPY	17,220	0.278	4,789

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2018			
Financial asset			
Monetary items			
USD	4,670	30.665	143,205
JPY	156,205	0.2762	43,144
RMB	2,299	4.447	10,222
HKD	51	3.891	198
EUR	-	35	-
Financial liabilities			
Monetary items			
USD	714	30.765	21,965

· Sensitivity analysis

	Years Ended December 31	
	2019	2018
(Loss)/profit of 1% change		
USD	$ 592	1,212
JPY	38	431
RMB	119	102
HKD	8	2
EUR	-	-

e. The Group has loan limit from bank, but there is no loan at all as of December 31, 2019. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Financial assets at FVTPL					
Fund investments	$	791,342	-	-	791,342
Forward exchange contracts	$	-	(4,445)	-	(4,445)
Financial assets at FVTOCI					
Domestic listed equity investments	$	93,765	-	-	93,765
Domestic and foreign unlisted equity investments	$	-	-	87,487	87,487

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at FVTPL				
Fund investments	$ 522,920	-	-	522,920
Forward exchange contracts	$ -	6,748	-	6,748
Financial assets at FVTOCI				
Domestic listed equity investments	$ 86,156	-	-	86,156
Domestic and foreign unlisted equity investments	$ -	-	87,824	87,824

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2019 and 2018, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2018 were as follows:

	2019	2018
Balance at January 1	$ 87,824	88,932
Proceeds from return of capital of investments-decrease of capital	(337)	(1,108)
Balance at December 31	$ 87,487	87,824
Unrealized other gain (loss) for the current period	$ -	-

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

2019.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.83~1.8 as at December 31, 2019)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (15%~19% as at December 31, 2019)	· The higher the discount for lack of marketability, the lower the fair value;

2018.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.9~1.05 as at December 31, 2018)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (20%~30% as at December 31, 2018)	· The higher the discount for lack of marketability, the lower the fair value;

(iii) Sensitivity analysis in changes of significant unobservable inputs:

The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
December 31, 2019				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,015	(5,015)

	Input	Change	Recognized in other comprehensive income	
			Favorable change	Unfavorable change
December 31, 2018				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,597	(5,597)

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

(2) Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The Board's policy is to maintain profound capital base so as to preserve the confidence of investor, creditor and market and to sustain the future development of the business. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The rate of return on capital (excluding interest expense) of the Group was 22.88% and 16.43% in 2019 and 2018, respectively. The ratio of net liabilities to total equity (leverage ratio) on the reporting day in 2019 and 2018, respectively, was as follows:

		December 31 2019	December 31 2018
Total liabilities	$	10,242,803	10,178,455
Less: cash and cash equivalents		(3,903,861)	(3,875,535)
Net liabilities	$	6,338,942	6,302,920
Total equity	$	11,425,345	11,471,589
Ratio of net liabilities divided by total equity (Leverage ratio)		55.48%	54.94%

The Group's approach of capital management has not changed as of December 31, 2019.

13. Additional disclosures

Intercompany balance and significant transactions, directly or indirectly, between the Group and its investees in Mainland China, which are subsidiaries or associates, have been eliminated upon consolidation.

(1) Significant transactions and (2) Related information of reinvestments:

a. Financings provided: Please see Table 1 attached;
b. Endorsement/guarantee provided: Please see Table 2 attached;
c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please see Table 4 attached;
e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None;
f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;
g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;
h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;
i. Information about the derivative financial instruments transaction: Please see Notes 6(2);
j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 7 attached;
k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 8 attached.

(3) Information on investment in Mainland China

a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 9 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7 attached.

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 4)	Ending Balance (Foreign Currencies in Thousands) (Note 2 & 4)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Yungtay Elevator Equipment (China) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 50,000 Thousand (NT$ 229,595 Thousand)	RMB 50,000 Thousand (NT$ 214,515 Thousand)	RMB 50,000 Thousand (NT$ 214,515 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand
2	Yungtay Elevator Installation Maintenance (Shanghai) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 45,000 Thousand (NT$ 206,636 Thousand)	RMB 30,000 Thousand (NT$ 128,709 Thousand)	RMB 30,000 Thousand (NT$ 128,709 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand
2	Yungtay Elevator Equipment (Tianjin) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 40,000 Thousand (NT$ 183,676 Thousand)	RMB 40,000 Thousand (NT$ 171,612 Thousand)	RMB 40,000 Thousand (NT$ 171,612 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 3: When there is a lending for funding needs, among the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount available for lending purpose shall not exceed 40% of the net worth of the Company and financing limits for each borrowing company shall not exceed 20% of the total financing amounts limits.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT$ against US$ in 2019, respectively.

TABLE 2

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 3 & 4)	Ending Balance (Note 3 & 4)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Equipment (Tianjin) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,745,140 thousand)	RMB 20,000 thousand (NT$ 91,838 thousand)	RMB 20,000 thousand (NT$ 85,806 thousand)	-	None	0.76	Not exceeding 1/2 of the net equity of the Company (NT$5,617,710 thousand)	No	No	Yes
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Installation Maintenance (Shanghai) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,745,140 thousand)	RMB 20,000 thousand (NT$ 91,838 thousand)	RMB 20,000 thousand (NT$ 85,806 thousand)	RMB 30 thousand (NT$ 128 thousand)	None	0.76	Not exceeding 1/2 of the net equity of the Company (NT$5,617,710 thousand)	No	No	Yes

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: No.2 represents that the endorser / guarantor parent company owns directly 50% voting shares of the endorsed / guaranteed subsidiary.

Note 3: The amounts approved by the Board of Directors.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT$ against US$ in 2019, respectively

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	Listed stock-O Commercial Bank	Non-related party	Financial assets at FVTPL-current	3,015,000	23,547	0.12%	23,547
	Beneficiary certificate-ETF, CFA 50	"	"	30,000	661	-	661
	Jih Sun Money Market Fund	"	"	3,368,478	50,115	-	50,115
	Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,426	-	50,426
	TSITC Taiwan Money Market Fund	"	"	3,279,334	50,380	-	50,380
	Mega Diamond Money Market Fund	"	"	3,978,833	50,098	-	50,098
	Taishin 1699 Money Market Fund	"	"	3,704,829	50,327	-	50,327
	Yuanta De-Li Money Market Fund	"	"	3,055,189	50,013	-	50,013
	Prudential Financial Money Market Fund	"	"	3,151,314	50,048	-	50,048
	KGI Victory Money Market Fund	"	"	4,306,706	50,058	-	50,058
	Fubon Chi-Hsiang Money Market Fund	"	"	6,356,353	100,076	-	100,076
	TCB Taiwan Money Market Fund	"	"	4,907,831	50,051	-	50,051
	UPAMC James Bond Money Market Fund	"	"	2,982,795	50,046	-	50,046
	SinoPac TWD Money Market Fund	"	"	3,580,226	50,031	-	50,031
	The RSIT Enhanced Money Market Fund	"	"	4,164,133	50,022	-	50,022
	Shin-Kong Chi-Shin Money Market Fund	"	"	3,217,131	50,005	-	50,005
	UPAMC Global AIOT Fund TWD	"	"	20,000	6,363	-	6,363
	Prudential Financial US Investment Grade Corporate Bond Fund	"	"	30,000	9,075	-	9,075
	Listed stock-O Commercial Bank	"	Equity instruments investments at FVTOCI-current	10,769,539	84,110	0.45%	84,110
	Unlisted stock-Addcn Technology Co. Ltd.	"	Equity instruments investments at FVTOCI-non-current	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
	Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	812,693	4,115	6.82%	4,115
	Unlisted stock-Ultralife Taiwan Inc.	"	"	11,361,946	-	5.85%	-
Yungjiun Investment Co., Ltd	Listed stock-The Company	Parent company	Treasury stock	2,129,800	136,946	0.52%	136,946
	Listed stock-China Metal Products Co., Ltd.	Non-related party	Equity instruments investments at FVTOCI-non-current	308,000	9,655	0.08%	9,655
	Unlisted stock-Digitimes Inc.	"	"	78,750	2,038	0.42%	2,038
	Unlisted stock-Ultra Life Taiwan Inc.	"	"	900,000	-	0.46%	-

TABLE 4

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars / Foreign Currencies, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Carrying Value	Gain on Disposal (Note)	Shares	Amount
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Shanghai Pudong Development Bank (SPDB)	None	-	-	-	183,500RMB (NT$ 787,270 thousand)	-	186,131RMB (NT$ 814,956 thousand)	183,500RMB (NT$ 803,436 thousand)	2,631RMB (NT$ 11,520 thousand)	-	-
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Industrial and Commercial Bank of China	None	-	-	-	260,000RMB (NT$ 1,115,478 thousand)	-	262,129RMB (NT$ 1,147,705 thousand)	260,000RMB (NT$ 1,138,384 thousand)	2,129RMB (NT$ 9,321 thousand)	-	-

Note: The structured financing products refer to the products with guaranteed profits purchased from the aforesaid banks, which promise the buyer to earn the interest income, i.e. gain on disposal of the aforementioned structured financing products, with guaranteed principal.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 5

Company Name	Related Party	Nature of Relationships	Transaction Details				Transaction with different trading condition		Accounts Payable		Footnote (Note 2)
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yungtay Hitachi Construction Machinery Co., Ltd.	Japan Hitachi Construction Machinery Co., Ltd.	Investee of investing co. accounted for using equity method	Purchases	520,777	8.78%	4~6Months after the goods were delivered	Note 1	Note 1	138,722	7.19%	-

Note 1: The purchase term of Yungtay Hitachi Construction Machinery Co., Ltd. to ordinary customers and related parties, please refer to Note 7(2).d.

Note 2: If there is any advances received (or payment), please describe the reason, the specified term of the contract, amount and any difference from the common transaction type in the footnote.

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

TABLE 6

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period (Note)	Allowance for Bad Debts
					Amount	Action Taken		
Yungtay Elevator Equipment (Tianjin) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	936,402	1	-	-	210,225	-
Yungtay Elevator Equipment (Sichuan) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	162,632	5	-	-	101,680	-
Jiyi Electric Co. (Shanghai, China)	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	224,934	-	-	-	175,279	-

Note : Amounts received as of February 20, 2020.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

TABLE 7

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions: Financial Statements Account	Amount (Note 3) 2019	Amount (Note 3) 2018	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 4) 2019	Percentage to Consolidated Net Revenue or Total Assets (Note 4) 2018
0	The Company	Yungtay Elevator Equipment (China) Co.	1	Net revenue from sale of goods	$ 2,458	$ 2,096	Sale based on cost plus 20%	0.02%	0.01%
				Accounts receivable	$ 417	$ 835	Collection term of 1~5 months	-	-
				Purchases	$ 215,441	$ 273,101	Uncomparable	1.57%	1.84%
				Accounts payable	$ 46,502	$ 43,596	Payment term of 2~3 months after delivered per import declaration	0.21%	0.20%
		Jiyi Electric Co. (Shanghai, China)	1	Net revenue from sale of goods	-	-	Sale based on cost plus 20%	-	-
				Purchases	$ 3	-	Uncomparable	-	-
1	Yungtay Elevator Equipment (China) Co.	Jiyi Electric Co. (Shanghai, China)	3	Net revenue from sale of goods	$ 28,968	-	Sale based on cost plus 3%	0.21%	-
				Accounts receivable	$ 24,111	-	Collection term of 1~4 months	0.11%	-
				Purchases	$ 318,968	-	Uncomparable	2.33%	-
				Accounts payable	$ 224,934	-	Negotiated adjustment based on the Group's funds dispatching	1.04%	-
		Yungtay Elevator Equipment (Tianjin) Co.	3	Net revenue from sale of goods	$ 87,681	$ 56,673	Sale based on cost plus 6%	0.64%	0.38%
				Accounts receivable	$ 1,926	$ 1,546	Collection term of 1~6 months	0.01%	0.01%
				Purchases	$ 1,006,829	$ 841,070	Based on cost plus 12%	7.34%	5.66%
				Accounts payable	$ 936,402	$ 800,906	30 days after delivered	4.32%	3.70%
		Yungtay Elevator Equipment (Sichuan) Co.	3	Net revenue from sale of goods	$ 20,441	$ 33,471	Sale based on cost plus 5%	0.15%	0.23%
				Accounts receivable	$ 769	$ 4,029	Collection term of 1 months	0.00%	0.02%
				Purchases	$ 691,705	$ 624,904	Uncomparable	5.04%	4.21%
				Accounts payable	$ 162,632	$ 115,413	Negotiated adjustment based on the Group's funds dispatching	0.75%	0.53%

Note 1: No.0 is for the parent company. Subsidiaries are numbered in order starting from No.1.

Note 2: No.1 represents the transactions from parent company to subsidiary, No.2 represents the transactions from subsidiary company to parent, and No.3 represents the transactions between subsidiaries.

Note 3: Unrealized intercompany gain under the downstream transactions of the sales to sub-subsidiary company from parent was NT$582 thousand and NT$605 thousand in 2019 and 2018, respectively. Unrealized intercompany gain under the upstream transactions of the purchases from sub-subsidiary to parent was NT$3,549 thousand and NT$6,002 thousand in 2019 and 2018, respectively.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 8

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 3) (Foreign Currencies in Thousands)	Note
				December 31, 2019 (Foreign Currencies in Thousands)	December 31, 2018 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)			
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US$ 11,100 NT$ 296,939 (Note 1)	US$ 11,100 NT$ 296,939 (Note 1)	11,183,510	78.72%	US$ 192,035 NT$5,747,566	US$ -5,160 (NT$-156,330)	US$ -3,980 (NT$-120,610)	Subsidiary, including net realized profit margin of NT$2,453 thousand of intercompany's upstream transaction
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Stre et, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) (Note 2)	US$ 33,500 NT$1,045,647 (Note 1)	US$ 33,500 NT$1,045,647 (Note 1)	33,500,000	100.00%	US$ 52,156 NT$1,561,040	US$ -1,097 (NT$ -33,239)	US$ -1,097 (NT$ -33,239)	
	Taiwan Calsonic Co., Ltd.	9F, No.99 Fu-Hsin N. Rd. Taipei	Car cooler sales, installation and after-Service and etc.	156,943	156,943	12,900,000	20.16%	200,986	-175,443	-55,370	Associate
	Yungjiun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	85,000	8,500,000	100.00%	20,712	-3,803	-31	Subsidiary. The Company's share aquired by subsidiary is accounted for under treasury stock.
	Hitachi Construction Machinery Co., Ltd.	10F, No.99 Fu-Hsin N. Rd. Taipei	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	197,677	81,185	41,404	Subsidiary
	Evest Corporation	10F, No.99 Fu-Hsin N. Rd. Taipei	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	131,448	49,674	20,475	Associate
Better Win Investment Co.	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) (Note 2)	US$ 33,297	US$ 33,297	3,022,570	21.28%	US$ 51,949 NT$1,554,829	US$ -5,160 (NT$-156,330)	US$ -1,098 (NT$ -33,267)	The Company reinvests sub-subsidiary (HK Yungtay) thru subsidiary (Better Win Co.)

Note 1: Investments of foreign currency are converted into investments of New Taiwan Dollars at the historical exchange rate.

Note 2: Indirect investments to Mainland China from investing company were disclosed at Table 9.

Note 3: The effect of unrealized profit or loss of intercompany's transaction has been considered while recognized the share of profit or loss of the investee companies during the period.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 9

Investee in mainland China	Main Businesses Activities	Total Amount of Paid-in Capital (Note 6 and Note 7)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 7)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (US$ in Thousands) (Note 7)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
					Remitted to Mainland China	Remitted back to Taiwan				
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories	US$ 56,000 thousand (NT$1,566,971 thousand)	(Note 1) (Note 3)	US$ 5,702 thousand (NT$121,979 thousand)	-	-	US$ 5,702 thousand (NT$121,979 thousand)	RMB (36,125) thousand (NT$(158,169) thousand) (Note 4)	100.00%	(158,169) thousand (Note 4)
Yungtay Elevator Equipment (Tianjin) Co.	"	RMB 200,000 thousand (NT$907,680 thousand)	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Tianjin) Co.	"	RMB 3,500 thousand (NT$15,505 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"	RMB 20,000 thousand (NT$95,197 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Equipment (Sichuan) Co.	"	RMB 152,000 thousand (NT$736,573 thousand	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Jiyi Electric Co. (Shanghai, China)	"	RMB 109,000 thousand (NT$523,370 thousand	(Note 2) (Note 3)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)

Investee Company in Mainland China	Carrying Amount of investments in Mainland China as of December 31, 2019 (Note 7)	Accumulated Amount of Investment Income remitted back to Taiwan as of December 31, 2019	Accumulated Amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment Amounts approved by Investment Commission, MOEA (Note 7)	Ceiling of investment in Mainland China imposed by Investment Commission, MOEA (Note 8)	
Yungtay Elevator Equipment (China) Co.	7,196,040 thousand	US$5,398 thousand and RMB289,621 Thousand (NT$1,569,843 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)	6,741,251 thousand
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Installation Maintenance (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Tianjin) with its own capital	
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Jiyi Electric Co. (Shanghai, China)	- (Note 3)	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: Direct investment in Mainland China through an existing company incorporated in Mainland China.

Note 3: Yungtay Elevator (China) intended to merge Jiyi Electric Co. (Shanghai, China), that was resolved by the board of director of Yungtay Elevator (China), and the merger date was scheduled on Dec. 31, 2017. Due to complying with the company's operating needs in the third quarter, 2019, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiyi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 4: The recognition basis of investment income or loss was calculated based on the financial statements audited by Taiwan parent company's CPA. The sub-subsidiary-Yungtay Elevator (China) recognized the share of profit (loss) of sub-subsidiaries-Tianjin yungtay, Shanghai Yuintay Installation & Maintenance, Shanghai Jiyi, Vietnam Yungtay, Sichuan Yungtay which are all 100% owned by Yungtay Elevator (China), and recognized the share of profit (loss) of sub-sub-sub-subsidiary- Tianjin Yungtay Installation & Maintenance, which is 100% owned by Sub-Sub-Subsidiary-Tianjin Yungtay. Tianjin Yungtay Installation & Maintenance has been liquidated in November, 2019.

Note 5: The Company owned 74% of Yungtay Elevator (China) through H.K. Yungtay, 78.72% ownership of Yungtay Elevator (China) was held by the Company after the transfer of shares in 2008, and the total ownership of Yungtay Elevator (China) is 100%, together with subsidiary-Better Win Investment Co. which holds 21.28% ownership of Yungtay Elevator (China).

Note 6: (1) Jianjn Yungtay has increased capital in cash in March, 2013, amounting to RMB 50,000 thousand, and the paid-in capital has been RMB 200,000 thousand in 2019, which has been held 100% ownership by Yungtay Elevator (China).

(2) Sichuan Yungtay, incorporated on June 28, 2013, invested by Yungtay Elevator (China), which the registered and paid-in capital has been RMB 150,000 thousand. On account of Chengdu Yungtay which was merged with Sichuan Yungtay and was soon liquidated, the paid-in capital of Sichuan Yungtay has been RMB 152,000 thousand, which is 100% owned by Yungtay Elevator (China).

Note 7: The carrying amount of ending investment was translated into NT$ from US$ at the banking transaction exchange rate at the balance sheet date, and the investment amounts was translated at the exchange rate of original investment.

Note 8: The limitation pursuant to “Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China” is 60% of net worth or consolidated net assets, whichever is higher.

14. Operating segments information

(1) The Group has 7 reportable segments: Taiwan elevator, Mainland elevator, Taiwan elevator maintenance and repair, Mainland elevator maintenance and repair, electric engine, construction machinery (including maintenance) and other segment.

The Group uses the income/loss from operations before income tax as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

(2) The Group's reportable revenue, profit or loss, assets and liabilities were summarized as follows:

Year ended December 31, 2019 (Amounts in Thousands of NT$)

		Taiwan Elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:										
Revenue other than parent co. and consolidated subsidiaries	$	3,014,750	5,555,989	2,894,073	1,347,309	-	880,753	25,474	-	13,718,348
Revenue from parent co. and consolidated subsidiaries		2,459	236,496	34	-	329,867	-	5,467	(574,323)	-
Total revenue	$	3,017,209	5,792,485	2,894,107	1,347,309	329,867	880,753	30,941	(574,323)	13,718,348
Total segment gross profit	$	348,038	795,090	1,569,969	371,026	26,110	166,358	25,178	(34,391)	3,267,378
Interest income		-	58,531	-	-	-	2,841	7,022	-	68,394
Interest expense		-	791	-	-	-	-	172	-	963
Depreciation and amortization		31,474	296,826	20,551	11,290	16,747	1,947	19,452	-	398,287
Share of profits of associates		-	-	-	-	-	-	(14,895)	-	(14,895)
Disposal of noncurrent assets held for sale		-	259,938	-	-	-	-	-	-	259,938
Other significant non-cash items: none		-	-	-	-	-	-	-	-	-
Segment profit/loss	$	106,413	(442,206)	1,162,056	151,829	3,297	98,451	166,800	(1,483)	1,245,157
Total assets of segment	$	2,247,145	11,268,111	660,124	1,198,836	1,262,051	619,250	13,684,789	(9,272,158)	21,668,148
Total liabilities of segment	$	2,188,719	5,655,807	331,110	430,082	336,583	231,646	1,118,113	(49,257)	10,242,803

Year ended December 31, 2018 (Amounts in Thousands of NT$)

	Taiwan Elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:									
Revenue other than parent co. and consolidated subsidiaries	$ 3,167,331	6,695,874	2,740,657	1,337,744	-	892,335	24,687	-	14,858,628
Revenue from parent co. and consolidated subsidiaries	2,096	273,101	34	-	-	-	5,466	(280,697)	-
Total revenue	$ 3,169,427	6,968,975	2,740,691	1,337,744	-	892,335	30,153	(280,697)	14,858,628
Total segment gross profit	$ 356,808	1,008,419	1,441,329	411,330	-	194,118	24,451	(717)	3,435,738
Interest income	-	54,856	-	-	-	3,338	5,441	-	63,635
Interest expense	-	-	-	-	-	-	105	-	105
Depreciation and amortization	39,668	329,260	8,876	1,190	-	2,022	17,644	-	398,660
Share of profits of associates	-	-	-	-	-	-	8,566	-	8,566
Other significant non-cash items:	-	-	-	-	-	-	-	-	-
Segment profit/loss	$ 120,453	(306,086)	1,056,172	112,040	-	135,788	35,865	(98,563)	1,054,669
Total assets of segment	$ 2,402,745	13,109,840	645,841	1,047,038	-	565,430	13,675,708	(9,796,558)	21,650,044
Total liabilities of segment	$ 2,050,567	5,965,673	317,345	424,945	-	206,668	1,258,630	(45,373)	10,178,455

(3) Geographic information

Net Revenue from External:

	Customers	
	Years Ended December 31	
	2019	2018
Taiwan	$ 6,815,050	6,825,010
Mainland China	6,903,298	8,033,618
Total	$ 13,718,348	14,858,628

Non-current Assets:

	December 31 2019	December 31 2018
Taiwan	$ 2,396,849	2,420,011
Mainland China	3,828,928	4,228,489
Total	$ 6,225,777	6,648,500

The Group categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other non-current assets.

(4) Major customers information

The revenue of major customer was not accounted for 10% of the total revenue in 2019 and 2018, respectively.

(V) Parent Company Only Financial Statements of 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yungtay Engineering Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Yungtay Engineering Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2019, and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Decree of Jin Guan Jheng Shen No.1090360805 promulgated from Financial Regulatory Commission on February 25, 2020 and auditing standards generally accepted in the Republic of China in 2019 and conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China in 2018. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audits 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 parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of sales

Please refer to Note 6(18) to the parent company only financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 99.48% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(19) to the parent company only financial statements for the details of accounting policy about the recognition of sales.

Our key audit procedures responded to the above area included: 1.obtained an understanding and evaluating of the implementation of internal controls over the recognition of sales revenue designed by the Company's management in order to evaluate the effectiveness of the related activity of internal control; 2.performed the cut-off tests to sales revenue, which is occurred in the specific period before and after the balance sheet date as well as reviewed the material contracts to verify the recognition of the sales of elevators, maintenance and related products and services to be in the right time and reasonable.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the

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

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, of has no realistic alternative but to do so.

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent company only Financial Statements

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

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

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

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2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Company to express an opinion on the parent company only 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 statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Lin, Seng-Ping and Chen, Jen-Chi.

林昇平　　陳仁基

A member of Russell Bedford International
Taipei, Taiwan (Republic of China)
March 25, 2020

Yungtay Engineering Co., Ltd.
Parent Company Only Balance Sheets - Assets
December 31,2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note		31-Dec-19 Amount	%	31-Dec-18 Amount	%
11xx	Current assets						
1100	Cash and cash equivalents	6(1)	$	1,240,832	9	991,955	7
1110	Financial assets at fair value through profit or loss -current	6(2)		791,342	5	522,920	4
1120	Financial assets at fair value through other comprehensive income-current	6(3)		84,110	1	86,156	1
1150	Notes receivable, net	6(4)		186,205	1	187,677	1
1170	Accounts receivable, net	6(4)		1,008,721	7	1,040,797	7
1200	Other receivables			759	-	598	-
130x	Inventories	6(5)		1,080,869	7	1,085,394	7
1410	Prepayments	6(6)		9,636	-	7,070	-
11xx	Total current assets			4,402,474	30	3,922,567	27
15xx	Non-current assets						
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)		85,449	1	85,449	-
1550	Investments accounted for using equity method	6(8)		7,859,429	53	8,341,724	57
1600	Property, plant and equipment	6(9)		1,373,266	9	1,398,583	9
1755	Right-of-use assets	6(10)		14,580	-	-	-
1760	Investment property, net	6(11)		895,658	6	901,422	6
1780	Intangible assets	6(12)		2,953	-	7,233	-
1840	Deferred income tax assets	6(21)		155,554	1	184,117	1
1915	Prepayments for equipment	6(9)		1,249	-	4,449	-
1920	Refundable deposits	6(7)		73,865	-	67,336	-
1990	Advances to employees and official business			3,364	-	3,936	-
1990	Other non-current assets-others			5,520	-	5,520	-
15xx	Total non-current assets			10,470,887	70	10,999,769	73
1xxx	Total assets		$	14,873,361	100	14,922,336	100

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.
Parent Company Only Balance Sheets – Liabilities and Equity
December 31,2019 and 2018
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Accounting Item	Note	31-Dec-19 Amount	%	31-Dec-18 Amount	%
21xx	Current liabilities					
2130	Contract liabilities	6(13)	$ 1,962,403	13	1,808,022	12
2150	Notes payable		278,997	2	253,410	2
2170	Accounts payable		556,203	4	469,450	3
2200	Other payables	6(14)	230,900	1	218,929	1
2230	Current tax liabilities	6(21)	118,537	1	219,643	1
2280	Lease liabilities -current	6(15)	7,503	-	-	-
2313	Deferred revenue	6(18)	90,542	1	93,467	1
2335	Receipts under custody		1,780	-	1,470	-
	Total current liabilities		3,246,865	22	3,064,391	20
25xx	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	4,875	-	6,096	-
2580	Lease liabilities-non-current	6(15)	7,145	-	-	-
2630	Long-term deferred revenue	6(18)	42,879	-	37,117	-
2640	Net defined benefit liabilities-non-current	6(16)	330,698	2	513,522	3
2645	Guarantee deposits received		5,480	-	5,415	-
25xx	Total non-current liabilities		391,077	2	562,150	3
2xxx	Total liabilities		3,637,942	24	3,626,541	23
31xx	Equity					
3100	Capital stock	6(17)	4,108,200	28	4,108,200	28
3200	Capital surplus	6(17)	275,042	2	270,267	2
3300	Retained earnings	6(17)				
3310	Legal reserve		3,077,068	20	3,009,594	20
3320	Special reserve		923	-	-	-
3350	Unappropriated earnings		4,151,236	28	3,978,068	27
3400	Other equity					
3410	Exchange differences arising on translation of foreign operations		(284,952)	(2)	24,756	-
3420	Unrealized gain (loss) on financial assets at fair value through other comprehensive income		(22,687)	-	(25,679)	-
3500	Treasury stock		(69,411)	-	(69,411)	-
3xxx	Total equity		11,235,419	76	11,295,795	77
3x2x	Total liabilities and equity		$ 14,873,361	100	14,922,336	100

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounting Item	Note	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenue	6(18)	$ 5,942,257	100	5,940,272	100
5000	Operating costs	6(5)	(3,999,072)	(67)	(4,117,682)	(69)
5900	Gross profit from operations		1,943,185	33	1,822,590	31
5910	Unrealized profit from sales		(583)	-	(605)	-
5920	Realized profit from sales		605	-	705	-
5950	Gross profit from operations, net		1,943,207	33	1,822,690	31
6000	Operating expenses					
6100	Selling expenses		(61,947)	(1)	(63,618)	(1)
6200	Administrative expenses		(420,311)	(7)	(391,539)	(7)
6300	Research and development expenses		(167,282)	(3)	(164,508)	(3)
	Total operating expenses		(649,540)	(11)	(619,665)	(11)
6900	Net operating income		1,293,667	22	1,203,025	20
7000	Non-operating income and expenses					
7010	Other income	6(19)	35,946	-	17,640	-
7020	Other gains and losses	6(19)	7,801	-	4,797	-
7050	Finance costs	6(19)	(181)	-	(115)	-
7070	Share of (loss) profit of subsidiaries and associates accounted for using equity method	6(8)	(127,371)	(2)	(313,261)	(5)
	Non-operating income and expenses		(83,805)	(2)	(290,939)	(5)
7900	Income before income tax		1,209,862	20	912,086	15
7950	Income tax expenses					
7951	Current income tax expenses	6(21)	(253,918)	(4)	(273,275)	(5)
7952	Deferred income tax expenses	6(21)	(16,276)	-	35,936	1
8000	Current income from continuing operations		939,668	16	674,747	11
8100	Gains and losses from discontinuing operation, net		-	-	-	-
8200	Net income for the year		939,668	16	674,747	11
8300	Other comprehensive income (loss), net					
8310	Items that will not be reclassified subsequently to profit of loss:					
8311	Remeasurement on defined benefit plans		55,331	-	(5,827)	-
8316	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income		(2,046)	-	(9,801)	-
8331	Remeasurement on defined benefit plans of associates		(973)	-	(40)	-
8336	Unrealized profit or loss on investment in equity instruments at fair value through other comprehensive income of subsidiaries and associates		3,036	-	(909)	-
8349	Income tax (benefit) expense related to items that will not be reclassified		(10,983)	-	1,135	-
	Total items not reclassified subsequently into gains and losses		44,365	-	(15,442)	-
8360	Items that may be reclassified subsequently to profit or loss:					
8381	Exchange differences arising on translation of foreign operations of subsidiaries and associates		(309,708)	(5)	(130,720)	(2)
	Total items to be reclassified subsequently into gains and losses		(309,708)	(5)	(130,720)	(2)
8500	Total comprehensive income for the year		$ 674,325	11	528,585	9
	Earnings per share (unit: NT$)	6(22)				
9750	Basic earnings per share (in NT dollar)		$ 2.30		1.65	

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Item		Capital stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated earnings	Other equity: Exchange differences arising on translation of foreign operations	Other equity: Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury stock	Total equity
Restated balance as of January 1, 2018		4,108,200	264,835	2,896,805	-	4,242,482	155,476	(14,969)	(69,411)	11,583,418
Appropriation & distribution of earnings in 2017										
Legal reserve				112,789		(112,789)				-
Cash dividends						(821,640)				(821,640)
Adjustments of capital surplus due to cash dividends paid from parent to subsidiaries			4,259							4,259
Overdue dividends unclaimed			1,170							1,170
Share of changes in net assets of associates accounted for using equity method			3							3
Net income in 2018 (Note1)						674,747				674,747
Other comprehensive income (loss) in 2018						(4,732)	(130,720)	(10,710)		(146,162)
Total comprehensive income (loss) in 2018		-	-	-	-	670,015	(130,720)	(10,710)	-	528,585
Balance as of December 31, 2018	$	4,108,200	270,267	3,009,594	-	3,878,088	24,756	(25,679)	(69,411)	11,295,795
Balance as of January 1, 2019	$	4,108,200	270,267	3,009,594	-	3,878,088	24,756	(25,679)	(69,411)	11,295,795
Appropriation & distribution of earnings in 2018										
Legal reserve				67,474		(67,474)				-
Special reserve					923	(923)				-
Cash dividends						(739,476)				(739,476)
Adjustments of capital surplus due to company's cash dividends paid to subsidiaries			3,834							3,834
Overdue dividends unclaimed			939							939
Share of changes in net assets of associates accounted for using equity method			2							2
Net income in 2019 (Note 2)						939,668				939,668
Other comprehensive income (loss) in 2019						43,375	(309,708)	990		(265,343)
Total comprehensive income (loss) in 2019		-	-	-	-	983,043	(309,708)	990	-	674,325
Adjustments to share of disposal and capital reduction of investments in equity instruments at fair value through other comprehensive income owned by associates		-	-	-	-	(2,002)	-	2,002	-	-
Balance as of December 31, 2019	$	4,108,200	275,042	3,077,068	923	4,151,236	(284,952)	(22,687)	(69,411)	11,235,419

Note 1: The employee's compensation and director's remuneration in 2018 are NT$28,777 thousand and NT$3,569 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

Note 2: The employee's compensation and director's remuneration in 2019 are NT$44,978 thousand and NT$4,998 thousand, respectively, which have been deducted from the parent company only statement of comprehensive income.

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.

Parent Company Only Statements of Cash flows

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2019	2018
AAAA	**Cash flows from operating activities:**		
A10000	Income before income tax	$ 1,209,862	912,086
A20000	Adjustments:		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	66,754	61,847
A20200	Amortization expense	4,723	4,341
A20300	Expected credit loss (gain)	-	(7,669)
A20400	(Gain) loss on financial assets at fair value through profit or loss	(3,413)	4,756
A20900	Interest expense	181	115
A21200	Interest income	(6,943)	(5,346)
A21300	Dividend income	(29,003)	(12,294)
A22400	Share of (profit) loss of subsidiaries and associates accounted for using equity method	127,371	313,261
A22500	(Gain) on disposal of property, plant and equipment, net	-	(654)
A22500	Loss on obsolescence of property, plant and equipment	1	1,705
A23800	(Gain) from price recovery of inventory decline	(1,927)	(17,388)
A24000	Realized profit from sales, net	(22)	(100)
A24100	Unrealized foreign exchange loss	33,144	31,095
A29900	Various expenses transferred from prepayment for equipment	1,257	-
A20010	Total adjustments to reconcile profit (loss)	192,123	373,669
A30000	Change in operating assets and liabilities		
A31000	Change in operating assets		
A31115	(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(265,009)	(316,474)
A31130	(Increase) decrease in notes receivable, net	1,472	17,572
A31150	(Increase) decrease in accounts receivable, net	32,076	2,027
A31180	(Increase) decrease in other receivables	(46)	2,759
A31200	(Increase) decrease in inventory	6,112	125,770
A31230	(Increase) decrease in prepayments	(2,566)	7,110
A31000	Total change in operating assets	(227,961)	(161,236)
A32000	Change in operating liabilities		
A32125	Increase (decrease) in contract liabilities	154,381	(109,771)
A32130	Increase (decrease) in notes payable	25,587	(33,183)
A32150	Increase (decrease) in accounts payable	86,753	22,378
A32180	Increase (decrease) in other payables	11,971	(8,532)
A32230	Increase (decrease) in other current liabilities	310	233
A32240	Increase (decrease) in defined benefit liabilities, net	(127,493)	(209,019)
A23990	Increase (decrease) in deferred revenue	2,837	8,173
A32000	Total change in operating liabilities	154,346	(329,721)
A30000	Total change in operating assets and liabilities	(73,615)	(490,957)
A20000	Total adjustments	118,508	(117,288)

(Continued)

Yungtay Engineering Co., Ltd.

Parent Company Only Statements of Cash flows

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2019	2018
A33000	Cash generated from operations	1,328,370	794,798
A33100	Interest received	6,828	5,313
A33200	Dividends received	80,223	317,786
A33300	Interest paid	(59)	(115)
A33500	Income tax paid	(355,024)	(55,879)
AAAA	Net cash generated by operating activities	1,060,338	1,061,903
BBBB	**Cash flows from investing activities**		
B00030	Proceeds from reduction in capital of financial assets at fair value through other comprehensive income	-	1,108
B02700	Acquisition of property, plant and equipment (Note 6(23))	(26,423)	(18,750)
B02800	Proceeds from disposal of property, plant and equipment	-	655
B04500	Acquisition of intangible assets	(443)	(3,768)
B03700	(Increase) in refundable deposits	(6,529)	(18,156)
B06800	Decrease in other non-current assets	572	1,177
B07100	(Increase) in prepayments on equipment	(991)	(4,449)
BBBB	Net cash used in investing activities	(33,814)	(42,183)
CCCC	**Cash flows from financing activities**		
C03000	Increase in guarantee deposits received	65	138
C04020	Repayment of the principal portion of lease liabilities	(6,031)	-
C04500	Cash dividends	(739,476)	(821,640)
C09900	Other-overdue dividends unclaimed	939	1,170
CCCC	Net cash used in financing activities	(744,503)	(820,332)
DDDD	Impact of change in exchange rate on cash and cash equivalents	(33,144)	(31,095)
EEEE	Net increase in cash and cash equivalents	248,877	168,293
E00100	Cash and cash equivalents at the beginning of year	991,955	823,662
E00200	Cash and cash equivalents at the end of year	$ 1,240,832	991,955

(Notes attached are part of the parent company only financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd.
Notes to Parent Company Only Financial Statements
For the years ended December 31, 2019 and 2018
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. GENERAL

Yungtay Engineering Co., Ltd. ("YTEC" or the "Company"), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components as well as providing the after-sales services of installation, maintenance and repair. The principal operating items of YTEC's subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC's shares were listed on the Taiwan Stock Exchange in November, 1989.

The number of employees of the Company was 1,816 and 1,783 as of December 31, 2019 and 2018, respectively.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 25, 2020.

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

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

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

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Company as lessee

Except for payments for short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases on the parent company only balance sheets. On the parent company only statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities, which is computed using the effective interest method. On the parent company only statements of cash flows, cash payments for both the principal portion and the interest portion of lease liabilities are classified within financing activities.

The Company applies IFRS 16 retrospectively with the cumulative effect of the initial application recognized at the date of initial application but does not restate comparative information.

Leases agreements classified as operating leases under IAS 17, except for short-term leases, are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Company applied the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019:

- The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The weighted average lessee's incremental borrowing rate used by the Company to calculate lease liabilities recognized on January 1, 2019 is 1.15%. The reconciliation between the lease liabilities recognized and the future minimum lease payments of non-cancellable operating lease on December 31, 2018 is presented as follows:

The future minimum lease payments of non-cancellable operating lease on December 31, 2018	$	3,691
Less: Recognition exemption for short-term leases		(2,327)
Undiscounted gross amounts on January 1, 2019	$	1,364
Discounted using the incremental borrowing rate on January 1, 2019	$	1,348
Lease liabilities recognized on January 1, 2019	$	1,348

Impact on assets, liabilities and equity on January 1, 2019

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	1,348	1,348
Total effect on assets	$ -	1,348	1,348
Lease liabilities-noncurrent	$ -	1,348	1,348
Total effect on liabilities	$ -	1,348	1,348
Total effect on equity	$ -	-	-

The Company as lessor

At transition, the Company does not make any adjustments for leases in which it is a lessor, and accounts for those leases under IFRS 16 starting from January 1, 2019.

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2020 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2020

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

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

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

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

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issues by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate of Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Noncurrent"	January 1, 2022

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

As of the date the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language parent company only financial statements shall prevail.

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Accounting Standards Used in Preparation of the Parent Company Only Financial Statements").

(2) Basis of Preparation

a. Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments (including derivative financial instruments) which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

b. Functional and reporting currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company' s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Foreign Currency

a. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

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

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

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

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

b. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising thereon from part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(4) Classification of Current and Noncurrent Assets and Liabilities

An asset is classified as current under any one of the following conditions. All other assets are classified as non-current.

a. The asset is expected to be realized, or sold or consumed, during the Company's normal operating cycle;
b. The asset is held primarily for the purpose of trading;
c. The asset is expected to be realized within twelve months after the reporting period; or
d. The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under any one of the following conditions. All other liabilities are classified as non-current.

a. The liability is expected to be settled during the Company's normal operating cycle;
b. The liability is held primarily for the purpose of trading;
c. The liability is due to be settled within twelve months after the reporting period; or
d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) <u>Cash and Cash Equivalents</u>

Cash comprises cash on hand and cash in bank. Cash equivalents are 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 (including foreign-currency deposits) meeting the aforementioned definition and held for the purpose of fulfilling short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(6) <u>Financial Instruments</u>

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

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

a. <u>Financial Assets</u>

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis for which financial assets were classified in the same way. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Category of financial assets and measurement

Purchase or sale of financial assets is recognized or derecognized using trade date accounting.

Financial assets held by the Company are classified into subsequently the following categories: financial assets at fair value through profit or loss (FVTPL), financial assets measured at amortized cost and investment in equity instruments at fair value through other comprehensive income (FVTOCI) on the basis of both:

i. The Company's business model for managing the financial assets and

ii. The contractual cash flow characteristics of the financial asset.

(i) Financial assets at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset. The measurement method of fair value please see Note 12.

(ii) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Company may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. On de-recognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

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

(b) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

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

(c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, instead of profit or loss.

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

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

c. Derivative financial instruments

The Company holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value at the date the derivative contracts are entered into and are subsequently remeasured at their fair value at the end of each reporting period, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(7) Fair Value Measurement

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

a. In the principal market for the asset or liability, or

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

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

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

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

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

(8) <u>Inventories</u>

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted-average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less estimated costs of completion and the estimated costs necessary to make the sale.

(9) <u>Non-current Assets Held for Sale</u>

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment would no longer be depreciated or amortized if those assets are classified as held for sale. So do the investments accounted for using equity method.

(10) <u>Investments Accounted for Using Equity Method-Investment in associates</u>

Investments accounted for using the equity method are investments in associates.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the Company ceases to have significant influence over an associate. When the Company retains an interest in the former associate, the Company measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Company's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Company should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the

Company's consolidated financial statements only to the extent of interests in the associate that are not owned by the Company.

(11) Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company loses control of a subsidiary, any retained investment of the former subsidiary is measured at the fair value at that date. A gain or loss is recognized in profit or loss and calculated as the difference between (a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (b) the previous carrying amount of the investments in such subsidiary. In addition, the Company shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the subsidiary had directly disposed of the related assets and liabilities.

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

(12) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	2~25
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(13) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for currently undermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

Categories of assets	Years
Building	
Main Building	10~55
Decoration Works	3~10
Electrical and Mechanical Engineering	3~15

The Company decides to transfer into or from investment properties in accordance with the actual purpose of asset.

(14) Leases

2019

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

a. The Company as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

<u>2018</u>

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

a. The Company as lessor

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

b. The Company as lessee

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

(15) Intangible Assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: computer software – 1~3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(16) Impairment of Non-Financial Assets

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(17) Treasury Stock

The Company's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

(18) <u>Employee benefits</u>

a. <u>Short-term employee benefits</u>

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 recognized as expenses in that period when the employees render service.

b. <u>Pensions</u>

(a) <u>Defined contribution plans</u>

For defined contribution plans, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) <u>Defined benefit plans</u>

(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 Company in current period or prior period. The liability recognized 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, together with adjustments for unrecognized past service costs. 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; when where is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

c. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

d. Employees' compensation

Employees' compensation is recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the Company has the income before income tax for current year in case that the Company has no accumulated deficit, the appropriation of at least 1% of the income before income tax is required according to the Company's Article of Incorporation. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(19) Revenue Recognition

a. Sale of Goods

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

The Company recognized the trade receivable after the completion of installation of elevator and inspection by the competent authority to be qualified, when the Company has the right to collect the consideration without any condition.

Any incremental cost incurred to obtain the contract would be capitalized as incremental cost for getting the contract within the scopt of expected recovery, and be amortized in the same way followed by the recognition of revenue afterwards.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

b. Service provided

The revenue of maintenance and repair stipulated in the contract, during the period of maintenance, is recognized when performance obligations are satisfied along with the time of services provided.

c. Rental, dividend and interest income

Rental incomes are recognized on a straight-line basis over the lease term.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(20) Taxation

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

Current tax

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The additional income tax (5% reduced from 10% since 2018) on unappropriated earnings of the Company is recognized as income tax expense in the year the shareholders, meeting approves the appropriation of earnings which is the year subsequent to the year the earnings are generated. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

In 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20% and integrated income tax system was abolished as well.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carry forwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

Current and deferred tax for the year

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

(21) Earnings per share

Basic earnings per share is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

(22) Operating segments

The Company has disclosed the information of operating segments in the consolidated financial statements, hence the parent company only financial statements is not required to disclose the information of operating segments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

The Company's critical accounting judgments and key sources of estimation and uncertainty are as below:

(1) <u>Impairment of Tangible and Intangible Assets (Other Than Goodwill)</u>

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of elevator industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

There was no indication of impairment of tangible and intangible assets (other than goodwill) in 2019 and 2018, respectively.

(2) <u>Impairment Assessment on Investment Using Equity Method</u>

The Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Company also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

There was no indication of impairment of investment accounted for using the equity method in 2019 and 2018, respectively.

(3) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions Is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies, see Note 6(21).

(4) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, see Note 6(5).

(5) **Useful Lives of Property, plant and Equipment as well as Investment Properties**

The Company reviews the estimated useful lives of property, plant and equipment as well as investment properties periodically.

(6) **Estimated impairment of financial assets**

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 6(4). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. Description of Major Accounting Items

(1) Cash and cash equivalents

		December 31 2019	December 31 2018
Cash on hand	$	4,920	5,057
Deposits in banks			
Checking accounts		70,686	98,880
Demand deposits (including foreign currency deposits)		636,594	452,090
Cash equivalents			
Time deposits (including foreign currency deposits)		528,632	435,928
Total	$	1,240,832	991,955

a. The currency risk and sensitivity analysis of the Company's financial assets and liabilities was disclosed in the Note 12(1).d.

b. The Company had no cash and cash equivalents pledged as collateral.

(2) Financial assets -current

		December 31 2019	December 31 2018
Mandatorily measured at FVTPL:			
Mutual funds and publicly traded stocks	$	791,342	522,920

		December 31 2019	December 31 2018
Current	$	791,342	522,920
Non-current		-	-
Total	$	791,342	522,920

a. The Company disclosed the exposures of credit, currency and interest which were related with financial instrments in the Note 12.

b. The Company's financial assets were not pledged as collateral, please refer to Note 8.

(3) Investments in Equity Instruments at FVTOCI

		December 31 2019	December 31 2018
Stocks listed on market-current	$	84,110	86,156
Unlisted stocks-non-current		85,449	85,449
	$	169,559	171,605

a. These investments in equity instruments are not held for trading. Instead, they are held for prudent and conservative strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

b. The Company owned the investee company named Li Se Joint-Venture Investment Co. Ltd. (unlisted co.) with original 923,515 shares. The investee company decided to decrease capital (the ratio of decrease capital being 12% and the capital decrease date being August 10, 2018) resolved by the Shareholders' Meeting on June 5, 2018 and the Company received the proceeds from capital reduction with amount of NT$1,108 thousand, the shares decreased being 110,822 shares and holding shares after capital reduction being 812,693 shares.

(4) Notes and Accounts Receivable, net

		December 31 2019	December 31 2018
Measured at amortized cost:			
Notes receivable	$	188,074	189,561
Accounts receivable		1,038,274	1,070,247
Less: allowance for doubtful accounts		(31,422)	(31,334)
Notes and accounts receivable, net	$	1,194,926	1,228,474

The following table details the loss allowance of trade receivables based on the Group's provision matrix, please refer to Note 12.(1)b(b) for more information.

December 31, 2019

Item		Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method		1.29%	2.78%	10%	24.2%	
Gross carrying amount	$	1,016,659	132,073	28,945	48,671	1,226,348
Loss allowance (Lifetime expected credit loss)		(13,083)	(3,669)	(2,894)	(11,776)	(31,422)
Amortized cost	$	1,003,576	128,404	26,051	36,895	1,194,926

December 31, 2018

Item		Not Past Due	Past Due 1~6 months	Past Due 6~12 months	Past Due Over 1 year	Total
Rate of expected credit loss computed using the weighted-average method		0.16%	4.53%	7.97%	19.99%	
Gross carrying amount	$	954,598	165,524	47,022	92,664	1,259,808
Loss allowance (Lifetime expected credit loss)		(1,571)	(7,495)	(3,749)	(18,519)	(31,334)
Amortized cost	$	953,027	158,029	43,273	74,145	1,228,474

a. The movement of the loss allowance of trade receivables (including notes and accounts receivable from related parties) and overdue receivables was as follows:

December 31, 2019

		Notes & Accounts receivable (related Parties included)	Overdue Receivables
Balance at January 1, 2019	$	31,334	2,494
Actual write-off during the year		(1,364)	-
Transferred to overdue receivables		1,452	(1,452)
Balance at December 31, 2019	$	31,422	1,042

December 31, 2018

		Notes & Accounts receivable (related Parties included)	Overdue Receivables
Balance at January 1, 2018	$	40,838	2,061
Actual write-off during the year		(1,402)	-
Transferred to overdue receivables		(433)	433
Transferred to other income for over allowance for bad debts		(7,669)	-
Balance at December 31, 2018	$	31,334	2,494

b. The Company has not held any collateral, and nor have the notes and accounts receivable been pledged as collateral.

(5) Inventories

		December 31 2019	December 31 2018
Raw materials	$	289,817	289,180
Work in process		772,220	777,148
Construction in process		23,165	25,298
In-transit inventory		21,086	21,114
Subtotal		1,106,288	1,112,740
Less: allowance for inventory decline loss		(25,419)	(27,346)
Total	$	1,080,869	1,085,394

a. Operating costs (excluding rental cost) which were related with inventories in 2019 and 2018, respectively, were as follows:

	Years Ended December 31	
	2019	2018
Operating costs transferred from inventories	$ 4,000,234	4,133,326
Gain from price recovery of inventory	(2,941)	(18,227)
Inventories decline loss (gain from price recovery of inventory)	1,014	839
Revenue from sale of scraps	(6,245)	(6,916)
(Gain) loss on physical inventory	53	329
Underapplied overhead	1,193	2,629
Total	$ 3,993,308	4,111,980

b. On sake of recognizing the inventory decline loss resulting from not ideal with prior years' sales price of some contracts, the Company accounted for gain from price recovery of inventory of NT$2,941 thousand and NT$18,227 thousand in 2019 and 2018, respectively, as a result of selling out the aforementioned inventories when completed gradually.

c. Due to the Company being not ideal with the contract case and unified purchase price, the net realizable value of the material PC board was lower than cost, resulting to decline loss of NT$1,014 thousand and NT$839 thousand in 2019 and 2018, respectively.

d. Inventories were not pledged.

(6) Prepayments

	December 31 2019	December 31 2018
Prepayment for purchases		
Domestic purchases	$ 19	121
Foreign purchases	7,283	2,990
Others	2,334	3,959
Total	$ 9,636	7,070

(7) Refundable deposits

		December 31 2019	December 31 2018
Bid bond for construction, contract security deposit	$	47,826	41,426
Admission deposit for golf club		24,000	24,000
Membership deposit		400	400
Depository court deposit		473	473
Rental deposit		1,338	1,196
Others		1,628	1,641
Subtotal		75,665	69,136
Less: accumulated impairment loss		(1,800)	(1,800)
Total	$	73,865	67,336

		December 31 2019	December 31 2018
Current	$	-	-
Non-current		73,865	67,336
Total	$	73,865	67,336

Accumulated impairment loss refers to the accumulated impairment loss of the golf card held by the Company.

(8) Investments accounted for using equity method

a. Investments accounted for using the equity method consisted of the following:

Item		December 31 2019	December 31 2018
Investment in subsidiaries	$	7,526,995	7,965,835
Investment in associates		332,434	375,889
Total	$	7,859,429	8,341,724

b. Investment in subsidiaries

Subsidiaries-carrying amount		December 31 2019	December 31 2018
Yingtay Engineering Co. (H.K.)	$	5,747,566	6,106,993
Yungjiun Investment Co., Ltd.		20,712	16,878

Yungtay-Hitachi Construction Machinery Co., Ltd.	197,677	182,968
Better Win Investment Co. (SAMOA)	1,561,040	1,658,996
Total	$ 7,526,995	7,965,835

Subsidiaries-% of Ownership and Voting Rights Held by the Comapny		
Yingtay Engineering Co. (H.K.)	78.72%	78.72%
Yungjiun Investment Co., Ltd.	100.00%	100.00%
Yungtay-Hitachi Construction Machinery Co., Ltd.	51.00%	51.00%
Better Win Investment Co. (SAMOA)	100.00%	100.00%

c. Investment in associates

(a) Material associates: None.

(b) Aggregate information of individually immaterial associates:

Associates-carrying amount	December 31 2019	December 31 2018
Taiwan Calsonic Co., Ltd. (TWNCAL)	$ 200,986	239,864
Evest Corporation	131,448	136,025
Total	$ 332,434	375,889

Associates-shareholding ratio		
Taiwan Calsonic Co., Ltd. (TWNCAL)	20.16%	20.16%
Evest Corporation	41.22%	41.22%

The market price of the investments accounted for using the equity method in publicly traded stocks calculated by the closing price at the end of the reporting period is summarized as follows:
The closing price represents the quoted price in active markets, the level 1 fair value measurement.

(i) Name of Associate

	December 31 2019	December 31 2018
TWNCAL	$ 395,385	147,705

(ii) Aggregate information of associates that are not individually material was summarized as follows:

The Company's share of profit (loss) of associates		Years Ended December 31 2019	2018
Net income (loss) for the year	$	(14,895)	8,566
Other comprehensive loss	$	(4,037)	(5,404)
Total comprehensive income (loss)	$	(18,932)	3,162

d. No investments accounted for using equity method of the Company were pledged as collateral.

e. The Company recognized share of profit or loss of its subsidiaries and associates which financial statements were audited by CPA. One of associates, Evest Corporation, which financial statements were audited by other CPA.

f. The board of directors of Yungtay HK resolved in 2018 to distribute cash dividends of RMB 50,000 thousand (equivalent to NT$231,951 thousand). The Company hold 78.72% shareholding of Yungtay HK and thus received cash dividends of RMB 39,360 thousand (equivalent to NT$182,563 thousand). Better Win Co. hold 21.28% shareholding of Yungtay HK and thus received cash dividends of RMB 10,640 thousand (equivalent to NT$49,352 thousand); The board of directors of Better Win Co. was convened in 2018 and resolved to distribute the aforementioned cash dividends to the Company, i.e. the Company received cash dividends of NT$49,352 thousand from Better Win Co. In 2019, the aforesaid board of directors resolved not to distribute cash dividends.

g. The Company received cash dividends of NT$26,695 thousand and NT$65,280 thousand from Yungtay Hitachi Construction Machinery Co., Ltd, a subsidiary, which is accounted for using equity method, in 2019 and 2018, respectively.

h. The Company received cash dividends of NT$0 and NT$1,290 thousand from Taiwan Calsonic Co., Ltd., and associate and listed company, which is accounted for using equity method, in 2019 and 2018, respectively.

i. The Company received cash dividends of NT$24,525 thousand and NT$7,007 thousand from Evest Corporation, which is accounted for using equity method, in 2019 and 2018, respectively.

j. The related financial information of the Company's re-investment and investment in Mainland China refers to Table 3 of Note 13(2) and Table 4 of Note 13(3), respectively.

(9) Property, plant and equipment

		Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost						
Balance at Jan. 1, 2019	$	975,896	964,568	531,526	361,495	2,833,485
Additions		-	2,362	10,222	13,839	26,423
Disposals		-	(5,850)	(9,961)	(7,433)	(23,244)
Transfers		-	133	3,034	107	3,274
Balance at Dec. 31, 2019	$	975,896	961,213	534,821	368,008	2,839,938
Balance at Jan. 1, 2018	$	942,803	941,197	575,494	355,963	2,815,457
Additions		-	4,761	4,784	9,205	18,750
Disposals		-	(2,369)	(65,296)	(3,786)	(71,451)
Transfers		33,093	20,979	16,544	113	70,729
Balance at Dec. 31, 2018	$	975,896	964,568	531,526	361,495	2,833,485
Accumulated depreciation and impairment						
Balance at Jan. 1, 2019			$ (711,358)	(398,732)	(324,812)	(1,434,902)
Additions			(17,722)	(26,722)	(10,569)	(55,013)
Disposals			5,850	9,960	7,433	23,243
Transfers			-	-	-	-
Balance at Dec. 31, 2019			$ (723,230)	(415,494)	(327,948)	(1,466,672)
Balance at Jan. 1, 2018			$ (676,611)	(433,490)	(318,774)	(1,428,875)
Additions			(17,468)	(28,919)	(9,758)	(56,145)
Disposals			2,348	63,677	3,720	69,745
Transfers			(19,627)	-	-	(19,627)
Balance at Dec. 31, 2018			$ (711,358)	(398,732)	(324,812)	(1,434,902)
Carrying amounts						
Dec. 31, 2019	$	975,896	237,983	119,327	40,060	1,373,266
Dec. 31, 2018	$	975,896	253,210	132,794	36,683	1,398,583

a. The trade counterparts of equipments upon disposal were not related parties, with net disposing loss of NT$(1) thousand and gain of NT$(1,051) thousand in 2019 and 2018, respectively.

b. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

c. The capitalization of borrowing interests attributable to the aforementioned assets was NT$0 in 2019 and 2018, respectively.

d. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(12).

e. Prepayment for equipment of the Company referred to the prepayment for equipment and property, which was accounted for the non-current assets due to the delivery unfinished.

f. The net transferred amount in 2019 and 2018, respectively, was shown below:

	Years Ended December 31	
	2019	2018
Prepayment for goods transferred to other equipment	$ 107	-
Prepayment for equipment transferred to building	133	366
Investment property transferred to land and building	-	33,683
Prepayment for equipment transferred to machinery and equipment	2,952	16,544
Prepayment for equipment transferred to other equipment	-	113
Inventories transferred to building and equipment	82	396
Total	$ 3,274	51,102

(10) Right-of-use assets - 2019

a. The movements in the cost, depreciation and impairment loss of the Company's right-of-use assets were as follows:

		Buildings
Cost or deemed cost		
Balance at January 1, 2019	$	1,348
Effect of retrospective application		-
Balance at January 1, 2019		1,348
Additions		19,209
Balance at December 31, 2019	$	20,557
Accumulated depreciation and impairment losses		
Balance at January 1, 2019	$	-
Effect of retrospective application		-
Balance at January 1, 2019		-
Depreciation		(5,977)
Balance at December 31, 2019	$	(5,977)
Carrying amounts		
December 31, 2019	$	14,580

b. The items of liabilities and profit or loss associated with lease contracts please refer to Note 6(15) for details.

(11) Investment properties, net

a. The Movement of cost, depreciation and impairment loss of the Company's investment properties was as follows:

		Land	Buildings	Total
Cost or Deemed Cost				
Balance at Jan. 1, 2019	$	718,387	427,761	1,146,148
Disposals		-	-	-
Transfers		-	-	-
Balance at Dec. 31, 2019	$	718,387	427,761	1,146,148
Balance at Jan. 1, 2018	$	751,480	447,978	1,199,458
Disposals		-	-	-
Transfers		(33,093)	(20,217)	(53,310)
Balance at Dec. 31, 2018	$	718,387	427,761	1,146,148

Accumulated depreciation and impairment				
Balance at Jan. 1, 2019	$	(818)	(243,908)	(244,726)
Depreciation expense		-	(5,764)	(5,764)
Disposals		-	-	-
Transfers of impairment loss		-	-	-
Balance at Dec. 31, 2019	$	(818)	(249,672)	(250,490)
Balance at Jan. 1, 2018	$	(818)	(257,833)	(258,651)
Depreciation expense		-	(5,702)	(5,702)
Disposals		-	-	-
Transfers of impairment loss		-	19,627	19,627
Balance at Dec. 31, 2018	$	(818)	(243,908)	(244,726)
Carrying amounts				
Dec. 31, 2019	$	717,569	178,089	895,658
Dec. 31, 2018	$	717,569	183,853	901,422

		Years Ended December 31	
		2019	2018
The rental income from investment properties	$	30,941	30,056
Less: Direct operating expenses arising from the investment property that generated rental income during the period		(2,019)	(2,152)
Direct operating expenses arising from the investment property that did not generate rental income during the period		(68)	(83)
Total	$	28,854	27,821

b. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

c. In order to get the information of the fair value of the investment properties, the Company referred to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C.. The market price of the aforesaid investment properties was NT$1,892,182 thousand and NT$1,781,235 thousand as at December 31, 2019 and 2018, respectively.

d. The net transferred amount in 2019 and 2018, respectively, was shown below:

	Years Ended December 31	
	2019	2018
Investment properties transferred to land and building	$ -	33,683

e. There is no significant part of the aforesaid investment properties, and the related depreciation is calculated using the estimated useful lives, please refer to Note 4(13).

(12) Intangible assets

The Movement of cost, amortization and impairment loss of the Company's intangible assets was as follows:

	Computer Software
Cost	
Balance at Jan. 1, 2019	$ 23,301
Additions	443
Elimination	(5,920)
Balance at Dec. 31, 2019	$ 17,824
Balance at Jan. 1, 2018	$ 20,968
Additions	3,768
Elimination	(1,435)
Balance at Dec. 31, 2018	$ (23,301)
Accumulated amortization and impairment	
Balance at Jan. 1, 2019	$ (16,068)
Amortization	(4,723)
Elimination	5,920
Balance at Dec. 31, 2019	$ (14,871)
Balance at Jan. 1, 2018	$ (13,162)
Amortization	(4,341)
Elimination	1,435
Balance at Dec. 31, 2018	$ (16,068)

Carrying amounts

Dec. 31, 2019	$ 2,953
Dec. 31, 2018	$ 7,233

(13) Contract liabilities-current

	December 31 2019	December 31 2018
Elevator	$ 1,960,883	1,806,000
Rental	1,520	1,494
Others	-	528
Total	$ 1,962,403	1,808,022

(14) Other payables

	December 31 2019	December 31 2018
Accrued bonus, wages and employee benefit fee	$ 62,875	59,438
Accrued value-added tax	29,172	35,427
Compensation payable to employees and directors	49,976	32,346
Other payables-other	88,877	91,718
Total	$ 230,900	218,929

(15) Lease liabilities

		Year Ended Dec. 31	
	Dec. 31,2019	2019	Dec. 31,2019
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Not later than 1 year	$ 7,624	121	7,503
Later than 1 year and not later than 5 years	7,134	89	7,045
Later than 5 years	100	-	100
	$ 14,858	210	14,648

Current	$	7,624	121	7,503
Noncurrent	$	7,234	89	7,145

The Company had no significant decrease in lease liabilities, resulting from the termination of lease in 2019.

Amounts recognized in profit or loss were as follows:

	Year Ended December 31
	2019
Interest expense on lease liabilities	122
Expense relating to short-term leases	2,116
Expense relating to leases of low-value assets (excluding short-term leases of low-value assets)	3,063

Amounts recognized in the statements of cash flows were as follows:

		Year Ended December 31
		2019
Rental expense	$	5,179
Interest expense		122
Repayments of lease		6,031
Total cash outflow for leases	$	11,332

a. Leases of buildings

The Company leases buildings as company's branch offices with lease terms of 2 to 5 years.

Lease payments of some contracts will be adjusted based on the change of local price index. And some lease contracts contain the options of extending the lease terms. Those contracts are managed by district, respectively. The specific terms and conditions of every contract are quite different. The Company is entitled to the options of implementation to which the lessor is not entitled. Under failure to make sure reasonably of the options of implementation of extending the lease terms, the related lease payments of the covering periods accompanied by the options will not be accounted for as the lease liabilities.

b. Others

The Company elects, when applying exemption to some contracts, not to recognize lease liabilities and right-of-use assets for leasing some office equipments, on account of either short-term leases within 1 year or leases of low value, and shall instead recognize the lease payments associated with those leases as an expense.

(16) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Company were as follows:

		December 31 2019	December 31 2018
Present value of defined benefit obligation	$	(1,620,407)	(1,679,914)
Plan assets at fair value		1,289,709	1,166,392
Net defined benefit liability	$	(330,698)	(513,522)

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2019 and 2018, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

(a) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by

Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan shan life insurance nonforfeieure values amounted to NT$1,289,709 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of Supervisory Committee of the Labor Retirement Fund, Council of Labor Affairs, Executive Yuan.

(b) Movements in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 1,679,914	1,695,108
Current service cost and interest expense	33,948	41,180
Net remeasurements on defined benefit liabilities:		
-Actuarial loss arising from experience adjustments	(18,576)	(12,143)
-Actuarial loss arising from changes in demographic assumptions	-	(6)
-Actuarial loss (gain) arising from changes in financial assumptions	6,960	37,769
Benefits paid	(81,839)	(75,568)
Effect of plan settlements	-	(6,426)
Balance, end of year	$ 1,620,407	1,679,914

(c) Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2019	2018
Balance, beginning of year	$ 1,166,392	978,394
Interest income	8,745	10,627
Net remeasurement on defined benefit assets:		
Return on plan assets (excluding amounts included in net interest expense)	43,715	19,793

Contributions from employer		152,696	229,951
Benefits paid		(81,839)	(72,373)
Balance, end of year	$	1,289,709	1,166,392

(d) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

		Years Ended December 31	
		2019	2018
Operating cost	$	20,016	25,954
Administrative expenses		2,768	1,808
Research and development expenses		2,419	2,482
Pension costs	$	25,203	30,244

(e) Gain (Loss) of remeasurement of the defined benefit plans after income tax recognized in other comprehensive income:

		Years Ended December 31	
		2019	2018
Recognized for the year	$	44,265	(4,662)
Accumulated amount	$	(185,626)	(229,891)

(f) Actuarial assumptions

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

	December 31 2019	December 31 2018
Discount rate	0.70%	0.75%
Expected rate of salary increase	2.00%	2.00%

(g) Historical information in relation to experience adjustments

The movement of the present value of defined benefit obligation for the years ended December 31, 2019 and 2018, respectively, was set forth below:

		December 31 2019	December 31 2018
Present value of defined benefit plan	$	(1,620,407)	(1,679,914)
Plan assets at fair value		1,289,709	1,166,392
Net defined benefit liability	$	(330,698)	(513,522)
Experience adjustments of present value of defined benefit plan	$	18,576	12,143
Experience adjustments of fair value of plan assets	$	43,715	19,793

The Company expects to make contributions of NT$69,403 thousand to the defined benefit plans in the next year starting from December 31, 2019. The weighted average duration of the defined benefit obligation is 8 years.

(h) When computing the present value of defined benefit obligation, the Company has to make judgment and estimation to determine the relevant actuarial assumption at the balance sheet date, including the change of discount rate and future salary. The Company's defined benefit obligations would be affected significantly due to the change of any actuarial assumption.

As at December 31, 2019, the carrying amount of the Company's net defined benefit liabilities was NT$330,698 thousand. When the discount rate is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will decrease NT$34,351 thousand or increase NT$35,449 thousand; When the rate of future salary increase is increasing 0.25% or decreasing 0.25%, the Company's recognized net defined benefit liabilities will increase NT$34,903 thousand or decrease NT$34,002 thousand.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Company recognized expenses of NT$68,980 thousand and NT$48,207 thousand for the years ended December 31, 2019 and 2018, respectively.

c. Short-term paid leave payable

The Company recognized short-term paid leave payable of NT$36,171 thousand and NT$35,380 thousand as of December 31, 2019 and 2018, respectively.

(17) Equity

a. Capital stock

		December 31 2019	December 31 2018
(a) Authorized shares (in thousands)		460,000	460,000
Authorized capital (in thousands)	$	4,600,000	4,600,000
Issued and paid shares (in thousands)		410,820	410,820
Issued capital (in thousands)	$	4,108,200	4,108,200

(b) The Company has 408,690,200 shares outstanding at the beginning and the ending of year (the treasury stocks of 2,129,800 excluded), for the years ended December 31, 2019 and 2018.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

(a) Legal reserve at 10% of the remaining profit;

(b) Special reserve in accordance with the resolution in the shareholders' meeting;

(c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2018 and 2017 were approved in the Company shareholders' meetings held on June 18, 2019 and June 28, 2018, respectively. The appropriations and dividends per share were as follows:

		Appropriation of Earnings		Dividends Per Share (NT$)	
		For Fiscal Year 2018	For Fiscal Year 2017	For Fiscal Year 2018	For Fiscal Year 2017
Legal reserve	$	67,474	112,789	-	-
Special reserve	$	923	-	-	-
Cash dividends to shareholders	$	739,476	821,640	1.8	2.0

The Company's appropriations of earnings for 2019 was approved in the Board of Directors meeting held on March 25, 2020. The appropriations and dividends per share were as follows:

		Appropriation of Earnings	Dividends Per Share (NT$)
		For Fiscal Year 2019	For Fiscal Year 2019
Legal reserve	$	93,967	
Special reserve		306,716	
Cash dividends to shareholders		985,968	2.4
Total	$	1,386,651	

The appropriation of earnings for 2019 are to be resolved in the Company shareholders' meeting which is expected to be held on June 18, 2020, and please go to the Market Observation Post System website of the Taiwan Stock Exchange for information on the appropriation of earnings for 2019 when the Company shareholders' meeting is over.

d. Employees' compensation and remuneration to directors

(a) According to the Articles of Incorporation of the Company, the ratio of no less than 1% of pre-tax profit before the distribution of employees' compensation and remuneration for directors for employees' compensation and no more than 1% for directors' remuneration which were accrued in 2019 and 2018 as follows:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 44,978	-	28,777	-
Directors' remuneration	$ 4,998	-	3,569	-

If the aforementioned amounts has changed after the annual financial reports being authorized for issue, the difference would be treated as a change in the accounting estimate and recognized as next year's profit or loss.

(b) The employees' compensation and directors' remuneration for 2018 and 2017 resolved by the Board of Director convened on May 13, 2019 and March 15, 2018, respectively, were as follows:

	Years Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 38,249	-	42,608	-
Directors' remuneration	$ 4,250	-	4,734	-

The discrepancy between the actual distributed amount resolved by the Board of Directors and the estimated figure recognized in the annual financial report, are recorded as a change in the accounting estimate and recognized as next years' profit or loss.

The information on the employees' compensation and directors' remuneration can be obtained from the Market Observation Post System on the website of the Taiwan Stock Exchange.

e. Other equity

(a) Exchange differences on translation of foreign operations

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	24,756	155,476
Shares of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method		(309,708)	(130,720)
Balance, end of year	$	(284,952)	24,756

(b) Unrealized gain (loss) on financial assets at FVTOCI

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	(25,679)	(14,969)
Changes in share of other comprehensive income (loss) of associates accounted for using equity method		5,038	(909)
Recognized during the period		(2,046)	(9,801)
Balance, end of year	$	(22,687)	(25,679)

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in repect of the Company's share held by the subsidiary "Yungjiun" was as follows:

	Holding Shares	Initial Cost	Market Price
December 31, 2019	2,129,800	$ 69,411	136,946
December 31, 2018	2,129,800	$ 69,411	126,084

(18) Operating revenue

The relevant information of the Group's revenue from contracts with customers for the years ended December 31, 2019 and 2018, respectively, was as follows:

	Years Ended December 31	
	2019	2018
Net revenue from sales of goods	$ 3,017,209	3,169,428
Net revenue from services		
Maintenance and repair	2,894,107	2,740,691
Rental	30,941	30,153
Total	$ 5,942,257	5,940,272

a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Company sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.

b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

	December 31 2019	December 31 2018
Current	$ 90,542	93,467
Non-current	$ 42,879	37,117

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Net revenue from sales of goods	$ 1,808,022	1,962,403	154,381

(19) Non-operating income and expenses

		Years Ended December 31	
		2019	2018
a. Other income			
Interest income-bank deposit	$	6,943	5,346
Dividend income		29,003	12,294
Total	$	35,946	17,640
b. Other gains and losses			
Net gain on financial instruments at FVTPL	$	3,413	(4,756)
Net gain on disposal of property, plant and equipment		-	654
Net (loss) on obsolescence of property, plant and equipment		(1)	(1,705)
Other losses		(922)	(1,715)
Other gains (Note)		7,482	12,628
Foreign exchange (loss), net		(2,171)	(309)
Total	$	7,801	4,797

Note: Gain on bad debt recoveries and forfeit deposit due to refund.

c. Finance costs			
Interest expense-bank loans	$	(59)	(115)
Interest expense on lease liabilities		(122)	-
Total	$	(181)	(115)
d. Shares of (loss)/profit of subsidiaries and associates accounted for using equity method	$	(127,371)	(313,261)

(20) Summary of employee benefits, depreciation and amortization expenses by function:

	2019			2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	1,197,860	397,810	1,595,670	1,160,693	365,530	1,526,223
Labor and health insurance	107,981	26,654	134,635	99,255	26,563	125,818
Pension cost	61,074	33,109	94,183	61,370	17,081	78,451
Remuneration to directors	-	16,528	16,528	-	16,195	16,195
Other benefits expenses	127,875	22,252	150,127	120,598	21,698	142,296
Depreciation expenses	46,822	13,955	60,777	48,544	13,303	61,847
Depreciation expense-right-of-use assets	5,203	774	5,977	-	-	-
Amortization expenses	-	4,723	4,723	-	4,341	4,341

Note: a. The average number of employees for current year and previous year is 1,816 and 1,783, respectively, among which the directors who are not part-time employees are 8 and 7, respectively.

b. The average employees' welfare expenses in 2019 and 2018 is NT$1,092 thousand and NT$1,054 thousand, respectively.
[(Total employees' welfare expenses for current year－Total directors' remuneration) / (The average number of employees for current year－The number of directors who are not part-time employees]

c. The average employees' salary in 2019 and 2018 is NT$883 thousand and NT$859 thousand, respectively.
[Total employees' salary for current year / the average number of employees for current year－The number of directors who are not part-time employees]

d. The change ratio of adjustments of the average employees' salary expenses is 3%.
[(The average employees' salary in 2019－The average employees' salary in 2018) / The average employees' salary expenses in 2018]

(21) Income tax

a. Income tax expense consisted of the following:

	Years Ended December 31	
	2019	2018
Current income tax expense		
Current tax expense recognized in the current year	$ 256,918	265,026
Income tax on unappropriated earnings	-	11,150

		2019	2018
Investment tax credit		(3,000)	(3,000)
Land incremental tax		-	99
Subtotal		253,918	273,275
Deferred income tax expense (benefit)			
Temporary differences incurred and reversed		16,276	(11,068)
Effect of deferred tax resulting from changes of income tax rate		-	(24,868)
Income tax expense recognized in profit or loss	$	270,194	237,339

b. Income tax (benefit) recognized in other comprehensive income

		Years Ended December 31	
		2019	2018
Deferred income tax (benefit)			
Related to remeasurement of defined benefit obligation	$	11,066	(1,165)

c. A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

		Years Ended December 31	
		2019	2018
Income before tax	$	1,209,862	912,086
Income tax expense at the statutory rate	$	241,972	182,417
Tax effect of adjusting items:			
Deductible items in determining taxable income		40,445	124,412
Supplementary pension cost according to Labor Law		(25,499)	(41,803)
Additional income tax on unappropriated earnings		-	11,150
Tax effect of investment tax credits		(3,000)	(3,000)
The origination and reversal of temporary differences		16,276	(11,068)
Land incremental tax		-	99
Effect of deferred tax resulting from changes of income tax rate		-	(24,868)
Income tax expense recognized in profit or loss	$	270,194	237,339

d. The analysis of deferred income tax assets and liabilities in the parent company only balance sheets was as follows:

		December 31 2019	December 31 2018
Deferred income tax assets			
Differences of time of recognized revenue	$	73,399	65,754
Short-term employees' benefits		7,234	7,076
Unrealized sales profit among parent and subsidiaries		117	121
Differences of depreciation expenses		92	138
Unrealized foreign exchange loss		6,746	6,461
Unrealized investment loss of investee Co.		1,826	1,826
Temporary credits overdue 2 years		-	36
Difference of pension appropriation		66,140	102,705
Total	$	155,554	184,117
Deferred income tax liabilities			
Land incremental tax	$	(2,702)	(2,702)
Temporary differences of depreciation expense		(2,173)	(3,394)
Total	$	(4,875)	(6,096)

e. Income tax assessments

The tax authorities have examined and approved the income tax returns of the Company through 2017.

(22) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

	Years Ended December 31	
	2019	2018
Net income available to common shareholders of the parent	939,668	674,747
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,200	408,690,200
Basic earnings per share (NT$)	2.30	1.65

(23) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

		Years Ended December 31	
		2019	2018
Acquisition of property, plant and equipment	$	26,423	18,750
Plus: payables on equipment at beginning of year		-	-
Less: payables on equipment at ending of year		-	-
Cash paid in the year	$	26,423	18,750

7. RELATED PARTY TRANSACTIONS

The significant transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

(1) Related party name and categories

Name of Related Party	Relationship with the Company
Taiwan Calsonic Co., Ltd. ("TWNCAL")	Associate
Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCMC")	Subsidiary
Yungjiun Investment Co., Ltd. ("YJIC")	Subsidiary
Evest Corporation ("Evest")	Associate
Yungtay Elevator Equipment (China) Co. ("YEEC-China")	Sub-Subsidiary
Jiyi Electric Co. (Shanghai, China) ("JEC-Shanghai")	Sub-Subsidiary
Hitachi, Ltd.	Other related party (as related party since 2018)
Yunttay Social Welfare Foundation ("YSWF")	Main Donee of the Company
Yungtay Education and Culture Foundation ("YECF")	Main Donee of the Company
All directors and key management of the Company (including general manager and executive vice presidents)	

(2) Significant transactions with related parties:

a. Net revenue

Related Party Name		Years Ended December 31 2019	2018
YEEC-China	$	2,458	2,096
TWNCAL		-	680
Total	$	2,458	2,776

The Company sells the components of elevators such as speed governor, hoist machine, printed circuit board and motor case to sub-subsidiaries -YEEC-China and JEC-Shanghai, with the price of almost mark-up 20% of cost and collection terms from 1 month to 5 months, the same as those of ordinary customers. The downstream transactions that the Company sold the aforementioned components to the sub-subsidiaries, resulted in unrealized profit of NT$583 thousand and NT$605 thousand for the years ended December 31, 2019 and 2018, respectively.

The Company purchases raw from YEEC-China materials, which are processed to be finished product then sold back to YEEC-China. Due to the transaction being the nature of processing, this transaction is not accounted for as revenue. Consequently, the sales and accompanying cost of good sold will be reduced the same amount of NT$18,290 thousand and NT$3,248 thousand in 2019 and 2018, respectively.

b. Repair and maintenance revenue

Related Party Name		Years Ended December 31 2019	2018
	$	7	-
Evest		104	79
YHCMC		34	34
Total	$	145	113

c. Rental income

Related Party Name		Years Ended December 31 2019	2018
YHCMC	$	5,449	5,449
Evest		6,691	6,691
YJIC		18	17
Total	$	12,158	12,157

The Company rents out Taipei office, plant located at Luzu and computer software system to related parties. The rental price collected from the related parties is the same as that of the ordinary lessee, nevertheless, Evest issues check per month according to the contract signed by the Company and Evest, unlike the ordinary lessee who issues the check once a year, depending on the lease term with different time to cash check.

d. Purchases

		Years Ended December 31	
Related Party Name		2019	2018
TWNCAL	$	103	676
YEEC-China		215,441	273,101
JEC-Shanghai		3	-
Hitachi, Ltd.		11,922	64,110
Total	$	227,469	337,887

The Company purchases the rail bracket, escalator, counter weight and electrical parts from YEEC-China, JEC-Shanghai and TWNCAL. The finished high-speed elevator and subsequent parts for maintenance and repair of Hitachi brand designated by customers are purchased from Hitachi, Ltd.. (Note: the related parts of elevator of Yungtay brand are never purchased from Hitachi, Ltd.) Due to the purchases of the given type and specifications only from the aforesaid sub-subsidiaries, associates and other related party, the purchase price and payment terms to related parties can not compare with those of non-related vendors accordingly. The upstream transactions, on account of purchasing from sub-subsidiaries, resulted in unrealized intercompany profit of NT$3,549 thousand and NT$6,002 thousand for the years ended December 31, 2019 and 2018, respectively.

The payment terms, from 1 month to 3 months, for TWNCAL are almost the same as those of purchases from ordinary vendors. But for YEEC-China and JEC-Shanghai, the payment terms are from 2 months to 3 months after the aforesaid goods are delivered.

e. Notes and accounts receivable, other receivables, accounts payable, other payables and deposit received

Related Party Name		Years Ended December 31 2019	2018
Notes receivable			
Evest	$	1,212	1,191
YHCMC		-	3
Total	$	1,212	1,194
Accounts receivable			
TWNCAL	$	7	554
YHCMC		46	-
Evest		591	610
YEEC-China		417	835
Total	$	1,061	1,999
Other receivables			
YHCMC	$	46	46
Evest		181	195
Total	$	227	241
Accounts payable			
TWNCAL	$	48	86
YEEC-China		46,502	43,596
Hitachi, Ltd.		39	5,387
Total	$	46,589	49,069
Other payables			
TWNCAL	$	-	528
YEEC-China		6,135	-
Total	$	6,135	528
Deposit received			
YHCMC	$	894	894
Evest		577	577
Total	$	1,471	1,471

f. Manufacturing overhead, Repair and Maintenance cost and Administrative expenses

Related Party Name	Item	Years Ended December 31 2019	2018
Manufacturing overhead			
TWNCAL	Repair expense	$ 152	3
Repair and maintenance cost			
TWNCAL	Material	$ 651	395
YHCMC	Rental expense	74	74
Total		$ 725	469
Installation cost			
TWNCAL	Repair expense	$ -	2
Administrative expenses			
TWNCAL	Repair expense	$ -	249
TWNCAL	Sundry expense	19	-
YSWF	Donation	4,200	2,100
YECF	Donation	4,200	6,300
Total		$ 8,419	8,649

g. Other expenditure

Related Party Name	Item	Years Ended December 31 2019	2018
YHCMC	Finance expenditure	$ 9	9
Evest	Finance expenditure	6	6
Total		$ 15	15

h. Other income

Related Party Name	Item	Years Ended December 31 2019	2018
TWNCAL	Stock processing income	$ 528	528
YHCMC	Information service income	41	21
Evest	Information service income	10	11
YEEC-China	Operating revenue from escalator	2,328	-
Total		$ 2,907	560

i. Property transactions

The Company has disposed property, plant and equipment to related party in 2019 and 2018, respectively: Nil.

j. Remuneration to directors and key management of the Company

Related Party Categories	Years Ended December 31 2019	2018
Short-term employee benefits	$ 38,194	35,769
Post-employment benefits	12,546	322
Other long-term employee benefits	34	50
Total	$ 50,774	36,141

8. Pledged (Mortgaged) assets

The Company provided the following assets as collaterals:

Item	Purpose	December 31, 2019	December 31, 2018
Property, plant and equipment and investment properties -land	Collateral for long -term bank loans (net yet revoked)	$ 458,051	458,051
Property, plant and equipment and investment properties -buildings	Collateral for long -term bank loans (net yet revoked)	12,909	17,664
Total		$ 470,960	475,715

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The future lease payment under the non-cancellable operating lease are as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	-	1,768
Later than 1 year and not later than 5 years		-	1,923
Later than 5 years		-	-
Total	$	-	3,691

2019

The Company applied IFRS 16 to lease arrangements since January 1, 2019. Related information please refer to Note 6(10) and Note 6(15).

2018

The Company leased several offices by the way of operating lease, and the operating lease, classified under profit or loss, amounted to NT$11,072 thousand in 2018.

(2) Lessor's lease arrangements

The Company leased its investment properties by the way of operating lease, please refer to Note 6(11). The future minimum lease receivable under the non-cancellable leasing period are as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	21,605	6,149
Later than 1 year and not later than 5 years		28,224	3,648
Later than 5 years		-	-
Total	$	49,829	9,797

(3) The amount of unused letters of credit: None.

(4) The Company received the deposits in advance and issued the secured promissory notes, amounting to NT$144,069 thousand and NT$142,540 thousand as of December 31, 2019 and 2018, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

		December 31 2019	December 31 2017
Chang Hwa Bank - Chengtung Branch	$	23,571	35,467
Mizuho Bank - Taipei Branch		19,243	2,005
Mega Bank - Chungshan Branch		12,424	6,479
Total	$	55,238	43,951

(6) Responding to the needs of the clients with whom the Company has provided the specific elevators of the brand of non-Yungtay, the Company has entered into the following co-operation contracts with Hitachi, Ltd.:

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
1.	Sep. 30, 2014 ~Sep. 29, 2024	Providing the related techniques of elevator, the installation of elevator and escalator, adjustment, and check, maintenance, quality assurance and remote monitoring diagnosis.	Pays US$50 per elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
2.	June 1, 2015 ~May 31, 2020	High-speed inverter control elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
3.	May 22, 2017 ~May 21, 2022	Machine-roomless elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and paid in all once a year, and paid within 4 months after closing

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
			accounts on Dec. 31 every year and within 4 months after the contract is expired.
4.	May 22, 2017 ~May 21, 2022	Large-scale freight elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
5.	Nov. 1, 2016 ~Oct. 31, 2021	High-speed inverter control elevator (HVF3 Voltage type)	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

The technical compensation fees, accounted for as expenses in 2019 and 2018, respectively, and calculated in accordance with the above co-operation contracts were as follows:

	Amount	Amount
No. of contract	2019	2018
1	$ 44	794
2	261	759
3	-	-
4	-	-
5	-	89
Total	$ 305	1,642

The amounts and ratio of the Company's elevators sold in 2019 and 2018, respectively, by the category of brand were as follows:

	2019		2018	
	Amount	%	Amount	%
Brand-Yungtay	2,246,699	100.00	2,444,066	98.89
Brand-Hitachi	-	-	27,391	1.11

(7) Significant contract-contruction in progress of property, plant and equipment: None.

10. Significant loss from disaster: None.

11. Significant subsequent events:

Due to the spreading of novel coronavirus (COVID-19) and in response to take necessary precautions in Mainland China to extend Lunar New Year holidays, the Company's subsidiaries and associates in China have to postpone their business. As at the reporting date of 2019 the Company's financial reports, in spite that most employees of the Company's subsidiaries and associates have returned to work, the related loss which is most likely to happen, resulting from the infection of COVID-19, is still not able to be estimated reasonably.

12. Others

(1) Financial instruments

a. Categories of financial instruments

		December 31 2019	December 31 2018
Financial assets			
FVTPL-current	$	791,342	522,920
FVTOCI-current and noncurrent		169,559	171,605
Cash and cash equivalents		1,240,832	991,955
Notes and accounts receivable (including related party)		1,194,926	1,228,474
Other receivables		759	598
Refundable deposits		73,865	67,336
Other non-current assets-others (preferred stock-golf certificate)		5,520	5,520

Financial liabilities

Notes and accounts payable (including related party)	835,200	722,860
Other payables	230,900	218,929
Current income tax liabilities	118,537	219,643
Lease liabilities-current and noncurrent	14,648	-
Net defined benefit liabilities-non-current	330,698	513,522
Deposits received	5,480	5,415

b. Credit risk

(a) Exposure of credit risk

The Company's mainly potentially credit risk arises principally from cash and receivables from customers. Cash deposits in different financial institution. The Company has controlled the exposure to the credit risk of every financial institution, and cash would not have significant concentration of credit risk. Receivables are in the normal collection period, which have been assessed to provide appropriate loss allowance rate and assessed to be adequate for the loss allowance periodically. Consequently, there is no significant credit risk for cash and receivables. The Company's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2019 and 2018, the accounts receivable of selling elevators accounted for 99.92% and 99.87% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The Company adopts the policy of the collection agreed and the contract signed individually to the sale of elevator, and the resulting accounts receivable bears no interest. The policy the Company adopts that only the counterparty whose credit rating is up to the level of investment is qualify to do the transaction with the Company, and if necessary, upon the Company's request, the full guarantee is required to mitigate the resulting risk of financial loss on account of delinquency. The Company will utilize other publicly available financial information and historical transaction records to give credit-rating to major customers. The Company keeps on monitoring credit exposure and the credit-rating of counterparty. Besides, the financial division would review and approve the line of credit of counterpart to manage the credit exposure.

To alleviate the credit risk, the management of the Company assigns ad hoc Company who is in charge of the decision of line of credit, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has been taken proper action.

Other than this, the Company would review the recovery amount of accounts receivable one by one on balance sheet sheet day to make sure that the appropriate impairment loss has been provided for the uncoverable receivables. Consequently, the Company's management has considered that the Company's credit risk has been significantly reduced.

The Company has adopted the simplified method of IFRS 9, i.e. the loss allowance for accounts receivable is recognized at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are computed using provision matrix, which measures costomer's past default record, current financial position, industrial economic situation and also measures forecast of GDP and industrial outlook as well. From the historical experience of the Company's credit loss, there is no significant difference for the loss type resulting from different customers' Company.

Thus, the provision matrix is not further identified different customers' Company and instead sets up the rate of expected credit loss by overdue days of accounts receivable.

If there is any indication that the counterparty is facing serious financial difficulty and his recoverable amount can not be reasonably predicted, the Company will write-off the relevant accounts receivable. Nevertheless, the recourse activities will continue, and the recoverable amount due to recourse would be recognized in profit or loss.

c. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient working capital and unused credit facilities to meet its obligations associated with matured financial liabilities, that may resulting from an economic downturn or uneven demand and supply in the market and cause a significant decrease in product selling prices and market demands.

Liquidity risk of the Company is monitored through its corporate treasury department which tracks the development of the actual cash flow position for the Company and uses input from a number of sources in order to forecast the overall liquidity position both on a short and long term basis. Corporate treasury invests surplus cash in money market deposits with appropriate maturities to ensure sufficient liquidity is available to meet liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2019, the Company's working capital together with existing unused credit facilities under its existing loan agreements will be sufficient to fulfill all of its contractual obligations. Therefore, management believes that there is no liquidity risk resulting from incapable of financing to fulfill the contractual obligations.

December 31, 2019		Carrying Amount	Contractual Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	278,997	278,997	278,997	-	-
Accounts payable		556,203	556,203	556,203	-	-
Other payables		230,900	230,900	230,900	-	-
Lease liabilities		14,648	14,648	7,503	7,045	100

December 31, 2018		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	253,410	253,410	253,410	-	-
Accounts payable		469,450	469,450	469,450	-	-
Other payables		218,929	218,929	218,929	-	-

d. Exchange rate risk

- Exposure of exchange rate risk

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2019			
Financial asset			
Monetary items			
USD	2,744	29.93	82,126
RMB	1,439	4.28	6,157

EUR	-	33.39	-
JPY	162	0.2740	45
Non-Monetary items			
USD	244,191	29.93	7,308,606

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2018			
Financial asset			
Monetary items			
USD	3,415	30.665	104,709
RMB	898	4.447	3,994
EUR	-	35	-
JPY	288	0.2762	80
Non-Monetary items			
USD	253,249	30.665	7,765,989

· Sensitivity analysis

	Years Ended December 31	
	2019	2018
(Loss)/profit of 1% change		
USD	$ 821	1,047
RMB	62	40
EUR	-	-
JPY	-	1

e. The Company has loan limit from bank, but there is no any loan as of December 31, 2019. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the parent company only balance sheets.

· Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Financial assets at FVTPL					
Fund investments	$	791,342	-	-	791,342
Financial assets at FVTOCI					
Domestic listed equity investments	$	84,110	-	-	84,110
Domestic and foreign unlisted equity investments	$	-	-	85,449	85,449

		December 31, 2018			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Financial assets at FVTPL					
Fund investments	$	522,920	-	-	522,920

Financial assets at FVTOCI				
Domestic listed equity investments	$ 86,156	-	-	86,156
Domestic and foreign unlisted equity investments	$ -	-	85,449	85,449

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2019 and 2018, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2018 were as follows:

	2019	2018
Balance at January 1, 2108	$ 85,449	86,557
Proceeds from return of capital of investments-decrease of capital	-	(1,108)
Balance at December 31, 2108	$ 85,449	85,449
Unrealized other gain (loss) for the period	$ -	-

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

December 31, 2019

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.83~1.8 as at December 31, 2019)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (15%~19% as at December 31, 2019)	· The higher the discount for lack of marketability, the lower the fair value;

December 31, 2018

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.9~1.05 as at December 31, 2018)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (30% as at December 31, 2018)	· The higher the discount for lack of marketability, the lower the fair value;

(iii) Sensitivity analysis in changes of significant unobservable inputs:

The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
December 31, 2019				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,015	(5,015)

			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
December 31, 2018				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,597	(5,597)

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

(2) Financial risk management objectives

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The Board's policy is to maintain profound capital base so as to preserve the confidence of investor, creditor and market and to sustain the future development of the business. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The rate of return on capital (excluding interest expense) of the Company was 22.88% and 16.43% in 2019 and 2018, respectively. The ratio of net liabilities to total equity (leverage ratio) on the reporting day in 2019 and 2018, respectively, was as follows:

		December 31 2019	December 31 2017
Total liabilities	$	3,637,942	3,626,541
Less: cash and cash equivalents		(1,240,832)	(991,955)
Net liabilities	$	2,397,110	2,634,586
Total equity	$	11,235,419	11,295,795
Ratio of net liabilities divided by total equity (Leverage ratio)		21.34%	23.32%

The Company's approach of capital management has not changed as of December 31, 2019.

13. Additional disclosures

(1) Significant transaction and (2) Related information of reinvestment:

a. Financings provided: None;

b. Endorsement/guarantee provided: None;

c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 1 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None;

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

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

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

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

i. Information about the derivative financial instruments transaction: None;

j. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 3 attached.

(3) Information on investment in Mainland China

a. The name of the investees in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investees, share of profits/losses of investees, ending balance, amount received as dividends from the investees, and the limitation on investee: Please see Table 4 attached.

b. Significant direct or indirect transactions with the investees, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Note 7(2) attached.

TABLE 1

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	Listed stock-O Commercial Bank	Non-related party	Financial assets at FVTPL-current	3,015,000	23,547	0.12%	23,547
	Beneficiary certificate-ETF, CFA 50	"	"	30,000	661	-	661
	Jih Sun Money Market Fund	"	"	3,368,478	50,115	-	50,115
	Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,426	-	50,426
	TSITC Taiwan Money Market Fund	"	"	3,279,334	50,380	-	50,380
	Mega Diamond Money Market Fund	"	"	3,978,833	50,098	-	50,098
	Taishin 1699 Money Market Fund	"	"	3,704,829	50,327	-	50,327
	Yuanta De-Li Money Market Fund	"	"	3,055,189	50,013	-	50,013
	Prudential Financial Money Market Fund	"	"	3,151,314	50,048	-	50,048
	KGI Victory Money Market Fund	"	"	4,306,706	50,058	-	50,058
	Fubon Chi-Hsiang Money Market Fund	"	"	6,356,353	100,076	-	100,076
	TCB Taiwan Money Market Fund	"	"	4,907,831	50,051	-	50,051
	UPAMC James Bond Money Market Fund	"	"	2,982,795	50,046	-	50,046
	SinoPac TWD Money Market Fund	"	"	3,580,226	50,031	-	50,031
	The RSIT Enhanced Money Market Fund	"	"	4,164,133	50,022	-	50,022
	Shin-Kong Chi-Shin Money Market Fund	"	"	3,217,131	50,005	-	50,005
	UPAMC Global AIOT Fund TWD	"	"	20,000	6,363	-	6,363
	Prudential Financial US Investment Grade Corporate Bond Fund	"	"	30,000	9,075	-	9,075
	Listed stock-O Commercial Bank	"	Equity instruments investments at FVTOCI-current	10,769,539	84,110	0.45%	84,110
	Unlisted stock-Addcn Technology Co. Ltd.	"	Equity instruments investments at FVTOCI-non-current	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
	Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	812,693	4,115	6.82%	4,115
	Unlisted stock-Ultralife Taiwan Inc.	"	"	11,361,946	-	5.85%	-
Yungjiun Investment co., Ltd	Listed stock-The Company	Parent company	Treasury stock	2,129,800	136,946	0.52%	136,946
	Listed stock-China Metal Products Co., Ltd.	Non-related party	Equity instruments investments at FVTOCI-non-current	308,000	9,655	0.08%	9,655
	Unlisted stock-Digitimes Inc.	"	"	78,750	2,038	0.42%	2,038
	Unlisted stock-Ultra Life Taiwan Inc.	"	"	900,000	-	0.46%	-

TABLE 2

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Transaction with different trading condition		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	Note 2
The Company	Yungtay Elevator Equipment Co. (China)	Sub-Subsidiary	Purchases	215,441	12.89%	2~3 months after the goods were delivered	Note 1	Note 1	46,502	8.36%	-

Note 1: The purchase term of Yungtay Elevator Equipment Co. (China) to ordinary customers and related parties, please refer to Note 7(2).d.

Note 2: If there is any advances received (or payment), please describe the reason, the specified term of the contract, amount and any difference from the common transaction type in the footnote.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 3) (Foreign Currencies in Thousands)	Note
				December 31, 2019 (Foreign Currencies in Thousands)	December 31, 2018 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)			
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US$ 11,100 NT$ 296,939 (Note 1)	US$ 11,100 NT$ 296,939 (Note 1)	11,183,510	78.72%	US$ 192,035 NT$5,747,566	US$ -5,160 (NT$-156,330)	US$ -3,980 (NT$-120,610)	Subsidiary, including net realized profit of NT$2,453 thousand of intercompany's upstream transaction
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Stre et, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) (Note 2)	US$ 33,500 NT$1,045,647 (Note 1)	US$ 33,500 NT$1,045,647 (Note 1)	33,500,000	100.00%	US$ 52,156 NT$1,561,040	US$ -1,097 (NT$ -33,239)	US$ -1,097 (NT$ -33,239)	
	Taiwan Calsonic Co., Ltd.	9F, No.99 Fu-Hsin N. Rd. Taipei	Car cooler sales, installation and after-Service and etc.	156,943	156,943	12,900,000	20.16%	200,986	-175,443	-55,370	Associate
	Yungjiun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	85,000	8,500,000	100.00%	20,712	-3,803	-31	Subsidiary. The Company's share aquired by subsidiary is accounted for under treasury stock.
	Hitachi Construction Machinery Co., Ltd.	10F, No.99 Fu-Hsin N. Rd. Taipei	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	197,677	81,185	41,404	Subsidiary
	Evest Corporation	10F, No.99 Fu-Hsin N. Rd. Taipei	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	131,448	49,674	20,475	Associate
Better Win Investment Co.	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) (Note 2)	US$ 33,297	US$ 33,297	3,022,570	21.28%	US$ 51,949 NT$1,554,829	US$ -5,160 (NT$-156,330)	US$ -1,098 (NT$ -33,267)	The Company reinvests sub-subsidiary (HK Yungtay) thru subsidiary (Better Win Co.).

Note 1: Investments of foreign currency are converted into investments of New Taiwan Dollars at the historical exchange rate.

Note 2: Indirect investments to Mainland China from investing company were disclosed at Table.

Note 3: The effect of unrealized profit or loss of intercompany's transaction has been considered while recognized share of profit or loss of the investee companies during the period.

TABLE 4

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee in mainland China	Main Businesses Activities	Total Amount of Paid-in Capital (Note 6 and Note 7)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 7)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (US$ in Thousands) (Note 7)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
					Remitted to Mainland China	Remitted back to Taiwan				
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories	US$ 56,000 thousand (NT$1,566,971 thousand)	(Note 1) (Note 3)	US$ 5,702 thousand (NT$121,979 thousand)	-	-	US$ 5,702 thousand (NT$121,979 thousand)	RMB (36,125) thousand (NT$(158,169) thousand) (Note 4)	100.00%	(158,169) thousand (Note 4)
Yungtay Elevator Equipment (Tianjin) Co.	"	RMB 200,000 thousand (NT$907,680 thousand)	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Tianjin) Co.	"	RMB 3,500 thousand (NT$15,505 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"	RMB 20,000 thousand (NT$95,197 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Equipment (Sichuan) Co.	"	RMB 152,000 thousand (NT$736,573 thousand	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Jiyi Electric Co. (Shanghai, China)	"	RMB 109,000 thousand (NT$523,370 thousand	(Note 2) (Note 3)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)

Investee Company in Mainland China	Carrying Amount of investments in Mainland China as of December 31, 2019 (Note 7)	Accumulated Amount of Investment Income remitted back to Taiwan as of December 31, 2019	Accumulated Amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment Amounts approved by Investment Commission, MOEA (Note 7)	Ceiling of investment in Mainland China imposed by Investment Commission, MOEA (Note 8)	
Yungtay Elevator Equipment (China) Co.	7,196,040 thousand	US$5,398 thousand and RMB289,621 Thousand (NT$1,569,843 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)	6,741,251 thousand
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Installation Maintenance (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Tianjin) with its own capital	
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Jiyi Electric Co. (Shanghai, China)	- (Note 3)	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: Direct investment in Mainland China through an existing company incorporated in Mainland China.

Note 3: Yungtay Elevator (China) intended to merge Jiyi Electric Co. (Shanghai, China), that was resolved by the board of director of Yungtay Elevator (China), and the merger date was scheduled on Dec. 31, 2018. For complying with the company's operating needs, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiyi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 4: The recognition basis of investment income or loss was calculated based on the financial statements audited by Taiwan parent company's CPA. The sub-subsidiary-Yungtay Elevator (China) recognized the share of profit (loss) of sub-subsidiaries-Tianjin yungtay, Shanghai Yuintay Installation & Maintenance, Shanghai Jiyi, Vietnam Yungtay, Sichuan Yungtay which are all 100% owned by Yungtay Elevator (China), and recognized the share of profit (loss) of sub-sub-sub-subsidiary- Tianjin Yungtay Installation & Maintenance, which is 100% owned by Sub-Sub-Subsidiary-Tianjin Yungtay. Tianjin Yungtay Installation & Maintenance has been liquidated in November, 2019.

Note 5: The Company owned 74% of Yungtay Elevator (China) through H.K. Yungtay, 78.72% ownership of Yungtay Elevator (China) was held by the Company after the transfer of shares in 2008, and the total ownership of Yungtay Elevator (China) is 100%, together with subsidiary-Better Win Investment Co. which holds 21.28% ownership of Yungtay Elevator (China).

Note 6: (1) Jianjn Yungtay has increased capital in cash in March, 2013, amounting to RMB 50,000 thousand, and the paid-in capital has been RMB 200,000 thousand in 2019, which has been held 100% ownership by Yungtay Elevator (China).

(2) Sichuan Yungtay, incorporated on June 28, 2013, invested by Yungtay Elevator (China), which the registered and paid-in capital has been RMB 150,000 thousand. On account of Chengdu Yungtay which was merged with Sichuan Yungtay and was soon liquidated, the paid-in capital of Sichuan Yungtay has been RMB 152,000 thousand, which is 100% owned by Yungtay Elevator (China).

Note 7: The carrying amount of ending investment was translated into NT$ from US$ at the banking transaction exchange rate at the balance sheet date, and the investment amounts was translated at the exchange rate of original investment.

Note 8: The limitation pursuant to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" is 60% of net worth or consolidated net assets, whichever is higher.

14. <u>Operating segments information</u>

Please see Note 14 to the consolidated financial statements for the year ended December 31, 2019.

(VI) Impacts of Latest Financial Difficulties Encountered by Company and Its Associated Enterprises on Company's Financial Standing in the Most Recent Year and Up to the Date the Annual Report Was Printed : Not applicable.

VII. Review, Analysis, and Risks of Financial Conditions and Performances

(I) Financial Status Review and Analysis

Unit: NTD thousand

Items \ Year	2018	2019	Difference	
			Amount	%
Current Assets	13,904,643	14,396,688	492,045	3.54%
Real estate, manufacturing facilities and equipment	5,419,088	4,984,299	(434,789)	-8.02%
Intangible Assets	52,622	38,324	(14,298)	-27.17%
Other Assets	2,273,691	2,248,837	(24,854)	-1.09%
Total Assets	21,650,044	21,668,148	18,104	0.08%
Current Liabilities	9,449,408	9,616,587	167,179	1.77%
Non-current Liabilities	729,047	626,216	(102,831)	-14.10%
Total Liabilities	10,178,455	10,242,803	64,348	0.63%
Capital Shares	4,108,200	4,108,200	0	0.00%
Capital reserve	270,267	275,042	4,775	1.77%
Retained earnings	6,987,662	7,229,227	241,565	3.46%
Total Equity	11,471,589	11,425,345	(46,244)	-0.40%

Increase/decrease change analysis description: (analysis of the rate of increase/decrease that was over 20% and the amount of change was NT$10 million)

1. Intangible assets : This can mainly be attributed to successive amortization of various software as scheduled.

(II) Financial Performance Review and Analysis

	2018 Amount	2019 Amount	Amount Increase (Decrease)	Change Ratio
Operating Revenues	14,858,628	13,718,348	(1,140,280)	-7.67%
Operating cost	11,422,890	10,450,970	(971,920)	-8.51%
Gross Profits	3,435,738	3,267,378	(168,360)	-4.90%
Operating Expenses	2,460,104	2,417,621	(42,483)	-1.73%
Net Operating Income	975,634	849,757	(125,877)	-12.90%
Non-business income and expenditure	79,035	395,400	316,365	400.28%
Continuing Sales Department Pre-tax Net Profit	1,054,669	1,245,157	190,488	18.06%
Income Tax Expenses	322,926	265,708	(57,218)	-17.72%
Continuing Sales Department Post-tax Net Profit	731,743	979,449	247,706	33.85%
Other Comprehensive Net Profit and Loss (Post-tax)	(146,162)	(265,343)	(119,181)	-81.54%
Total Consolidated Gains and Losses for the Current Period	585,581	714,106	128,525	21.95%

1. Increase/decrease ratio change analysis description: (analysis of the rate of change that was over 20%)
   (1) The increase in non-business income and expenditure :
   It was due to the profit brought by Yungtay (China) transfers part of the real estate of the public work building.
   (2) The increase in continuing sales department post-tax net profit :
   It was due to the increase in non-business net income and the decrease of income tax expenses.
   (3) The decrease in other comprehensive net profit and loss (post-tax) :
   It was due to the exchange difference in the conversion of financial statements.
2. Reasons for changes in the company's main business content : None.
3. Expectations and their basis and the main influencing factors for the company's expected sales growth to continue to grow or decline :

Items	Expected Sales Volume for the Next Year	Rationale
Elevators (Escalators)	15,409 units	The sales volume is estimated based on the existing installation contracts in 2020 that has not yet been shipped, the business climate, the market competition status, and the historical sales records; which should be more stable compared to that of the previous year.

(III) Cash Flow Review and Analysis

1. Cash Flow Change Analysis for the Current Year

Items \ Year	2018	2019	Increase (Decrease) Changes Ratio
Cash Flow Ratio	5.52%	7.89%	42.93%
Cash Flow Allowance Ratio	89.39%	75.07%	-16.02%
Cash Reinvestment Ratio	-2.32%	-0.01%	99.57%

Increase/decrease ratio change analysis description :

Cash flow ratio, cash Reinvestment Ratio : This can mainly be attributed to the increase of net cash inflows through business activities caused by a growth in order volume.

2. Cash flow analysis for the next year :

Cash balance at the beginning of the period ①	Annual net cash flow from operational activities ②	Annual cash outflow ③	Remaining cash (Insufficient) Amount ①+②-③	Insufficient Cash Amount Remedy Measure	
				Investment plan	Financial management plan
3,903,861	1,818,467	1,228,570	4,493,758	—	—

(1) Business activities: The Taiwanese housing market greatly benefits from the return of Taiwanese entrepreneurs and an environment characterized by low interest rates and abundant capital, which results in steady growth of the overall demand for elevators. The Chinese economy, on the other hand, is facing downward pressure which is aggravated by the impact of the new coronavirus epidemic. It is therefore expected that there will be no economic rebound in China until the second half of the year. The housing industry bears the brunt of this situation. The overall demand in the elevator market is expected to see a pattern of growth. Yungtay (China) strives to increase the order volume for new elevator models, while lowering its operating costs. This business strategy coupled with long-term stable maintenance services is projected to result in sustained growth of cash inflows related to business activities in the upcoming year.

(2)Investment activities: Expenditures generated by constant updates of our production equipment and factory buildings and the construction of the Yungtay (China) R&D Testing Tower are projected to lead to a net cash outflow through investment activities in 2020.

(3) Fund-raising activities: As a result of the injection of profits generated by the disposal of Yungtay (China) land and factory buildings in 2019, profit and earnings distribution of the group will increase compared to the previous year, while a net cash outflow is forecast for 2020 due to fundraising activities.

3. Insufficient cash remedial measures and liquidity analysis : Not applicable.

(IV) The Major Impacts of Annual Capital Expenditure on Financial Operations during the Most Recent Fiscal Year :

The capital expenditures in 2019 were mainly on the replacement of production equipment, repairs of manufacturing facilities and the construction of the Yungtay (China) R&D testing tower. They had no major impacts on the financial standing of the Company.

(V) Reinvestment Policy for the Most Recent Year, the Main Reasons for the Profits/Losses Generated, the Improvement Plans, and the Investment Plans for the Coming Year.

1. The most recent annual reinvestment policy :

   The Company's reinvestment policy is based on the elevator-related mechanical and electrical industries. There is no investment plan in the most recent year.

2. Main reasons for profit or loss and improvement plan :

   In 2019, due to the slowdown in real estate growth and the tightening of housing enterprise financing environment, Yungtay (China)'s elevator delivery quantity was expected to grow by double digits, but production capacities have not reached scale yet. And there were necessary expenses and depreciation amortization, so Yungtay (China) will respond by continuing to strengthen sales and increase delivery quantity in the future.

3. Investment Plans for the Coming Year :

   Aggressively expand the overseas market, and for the next two years, plan the establishment of branches in the Southeast Asian region of Vietnam, Cambodia and Indonesia etc. to seek new revenue growth points.

(VI) Risk items

(1) The effects that interest, exchange, fluctuation, and inflation rates have on the profits and losses of the company as well as the future response measures :

Items	Effects to the Company's Profit and Loss	Future Response Measures
Interest Rate changes	The net income from interest for the Company in 2019 was NT$68,394 thousand, accounting for 0.5% of the annual operating revenue and 8.05% of gross profits. The percentages were extremely low. Besides, the Company has no loans. Therefore, the change in the interest rate had no major effects on the Company's profits and losses.	No response measure is needed currently.
Exchange Rate Fluctuation	1. Yungtay (China) 2019 annual operating revenue accounted for approximately 52% of the its consolidated financial statement. As the functional currency of the company's consolidated financial statement is in NTD, the exchange rate fluctuation of RMB against NTD will affect the company's profit and loss. 2. Some of the company's procurement activities are made in foreign currencies, so the exchange rate fluctuations will also affect the profit and loss of the company.	1. Maintain close ties with the foreign exchange departments of the financial institutions, and collect relevant information on exchange rate changes at any time. In the future, Yungtay (China) will repatriate the surplus in order to properly hedge in the event of expected adverse effects from exchange rate changes. 2. Properly use the derivative financial instruments such as forward foreign exchange contracts to avoid exchange rate risks.
Inflation	The increase of the prices of raw materials such as steel and rare earth that account for a large proportion of production costs will have an adverse effect on elevator cost control and corporate profitability.	Continuing to control raw material supply sources and inventory levels and plus the bargaining method of signing cross-strait collaborative purchase contracts to reduce the impact of fluctuations in raw material prices during company operations.

(2) Main policies for engaging in high-risk engagements, highly leveraged investments, endorsement guarantees, and derivative transaction policies; main reasons for profits and losses; and future response measures :

1. High risk and high leverage investments :

   This company does not engage in high risk and high leverage investments.

2. Money loaned to others and endorsement guarantees :

   Among the subsidiaries whereby the company directly or indirectly holds 100% of the voting shares, the funding or endorsement of funds due to actual operational needs are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

3. Derivative commodity trading :

   The company's derivative commodity transactions primarily consisted of forward foreign exchange contracts that circumvent the risk foreign currency exchange rate fluctuations, and are implemented after submitting to the Board of Directors for resolution in accordance with the "Financing and Fund Operation Endorsement Procedures", and declare it according to regulations.

(3) Future R&D plans and anticipated investments in R&D expenses :

Unit: NTD thousand

No.	Theme of Plan	Expected Investments in R&D Expenses
1	EAS3 Small-Room System Development	4,000
2	VAG3 Roomless 1050Kg PM System Development	2,900
3	Cable with Plastic Wrap Series Products Development	900
4	NEW CNS Disk PM Roomless System Development	2,300
5	F-EAS3 3000~5000Kg PM R4:1 System Development	1,000
6	Machine Development of Old Elevator Renovation and Elevator Installation in Old Building	1,000
7	Home Elevator Development	1,800
8	Series W Autowalk of Public Transportation Development	6,600
9	Escalator with Truss Preservation and Modification Technology Development	900
10	Support for Public Transportation Project	200
11	High-speed Elevator Development	24,300
12	PCB Electromagnetic Interference Research and Suppression Technology Development	500
13	Second Generation Machine-room-less Elevator Development	500
14	Intelligent Elevator System E Pass	400
15	FT-3 Elevator Group Management Ssystem Development	300
16	Shaft Absolute Position System (APS) Development	500
17	Door Machine Control Panel Optimization	300
18	Service System SMART PHONE APP Development	100
19	Yungtay Central Surveillance System	200
20	MPU H8 to RX63N Conversion Development (Y12 Not EN)	500

No.	Theme of Plan	Expected Investments in R&D Expenses
21	Y12 Series (EN) Development	600
22	Computerized Test Bench	300
23	Y20 Control System Development	1,800
24	Y20S Control System Development	1,300
25	Electrical Peripheral Systems and Components Development	1,300
26	Project of Costs Reduction for Elevator	1,800
27	Series W Autowalk of Public Transportation/ Taiwan MRT/ Harbin Escalator Electric Control System Development	450
28	Increased Function of Escalator Electronic Control System	450
29	Smart Escalator Development	450
	Total	57,650

Main impact factors for future R&D success :

1. Stabilized personnel of technical R&D team and strong centripetal force.
2. Talent cultivation and training, reasonable and effective management system and team.
3. Systematic technology, team establishment, adopt of mentor system or common learning, common sharing to facilitate passing-on of experience/knowledge and innovation.
4. Actively investing in self-development concerning the new CNS15827-20 regulations, and becoming the leading position in the industry.
5. The cross-strait R&D work division of labor for joint development, and play individual advantages to create overall maximum benefits and to improve product's competitiveness.

(4) Impacts of important domestic and international policies and regulatory changes on the Company's financial performance and the countermeasures :

Global stock markets are plummeting, capital markets are tightening, and the global economy is entering a recession under the impact of the new coronavirus epidemic in 2020. The US Federal Reserve Board has responded with an emergency interest rate cut. The Central Bank of Taiwan followed suit by lowering interest rates by 0.25% to create a low-interest environment and stabilize investor confidence. The government has also passed numerous relief and revitalization packages and offers subsidies to industries that are severely impacted by the epidemic and face business difficulties. As the epidemic slows down or ends, the housing market is expected to return to normal levels of activity and the Company’s operations and financial services are projected to resume a pattern of steady growth.

(5) Effects of technological changes and industrial changes on the financial standing of the company and the countermeasures : None.

(6) Impacts of changes in the corporate image on the management of corporate risks and the countermeasures : None.

(7) Expected benefits and possible risks of mergers and acquisitions : There are no merger or acquisition plans at the moment.

(8) Expected benefits and possible risks of the expansion of manufacturing facilities : There are no expansion plans at the moment.

(9) Risks encountered with focused purchases or sales : All the goods imported by the Company are commodities with sufficient supply on the market so shortage in materials is not a concern.

(10) Impacts of transfer or exchange of stock options in large quantities by directors or heavyweight shareholders holding more than 10% of all shares on the Company and the risks : The result of the equity change of Yungtay is that the equity tends to concentrate on a few major shareholders,

which means having confidence in the company's operating model and future development. It has no adverse impacts and risks on the Company.

(11) Impacts of the change in the management on the Company and the risks : After the change of operation rights, professional managers are appointed to manage the company's operations, and the operation rights are separated from management rights which is in line with the direction of corporate governance. In the future, it will create a win-win situation for employees and shareholders.

(12) Lawsuits and non-lawsuit events. Major lawsuits and non-lawsuits or administrative disputes with a finalized verdict or ongoing proceedings that involve the Company, the Company's directors, general managers, actual person in charge, and shareholders holding more than 10% of all shares, and the associated companies shall be listed. If the results are likely to have significant impacts on shareholders' equity or prices of securities, the facts, target value, and start date of the lawsuit, main clients involved, and handling status as of the date of the Annual Report was printed shall be disclosed : None.

(13) Other important risks and countermeasures : information security risks

In order to strengthen the company's information security management mechanism, improve employee information security awareness, and provide a common compliance standard to ensure data, software and hardware equipment and network security, Yungtay Group employees must follow the Yungtay information security policy, the scope is as follows :

1. Computer room and host management.
2. Account management and data access control.
3. Office personal computers and peripherals management.
4. Network and network equipment use methods.
5. Software copyright acquisition and use methods.
6. External communication channels (Internet, VPN and E-mail).
7. Computer virus prevention.

The Company backs up all systems and data regularly and implements a crisis management and disaster recovery plan every year to avoid operational impacts when it comes to information security risks.

(VII) Other important matters : None.

VIII. Special Notes

<u>Declaration on Consolidating Financial Statements of Yungtay Engineering Co., Ltd. and Its Affiliated Companies</u>

<u>And Associated Enterprises</u>

Companies that should be included in the compiled Consolidated Financial Statement of Associated Enterprises for 2019 (from January 1, 2019 to December 31, 2019) in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that should be compiled in the Consolidated Statement of Parent Company and Subsidiaries as per International Financial Reporting Standard 10 and all the information that should be disclosed in the Consolidated Financial Statement of Associated Enterprises has been disclosed in the Consolidated Statement of Parent Company and Subsidiaries. Therefore, the Consolidated Financial Statement of Associated Enterprises is not prepared separately.

Please take note of the above declaration.

Name of Company : Yungtay Engineering Co., Ltd.(Seal)

Person in Charge : Tso Ming Hsu (Seal)

March 25, 2020

Yungtay Engineering Co., Ltd.

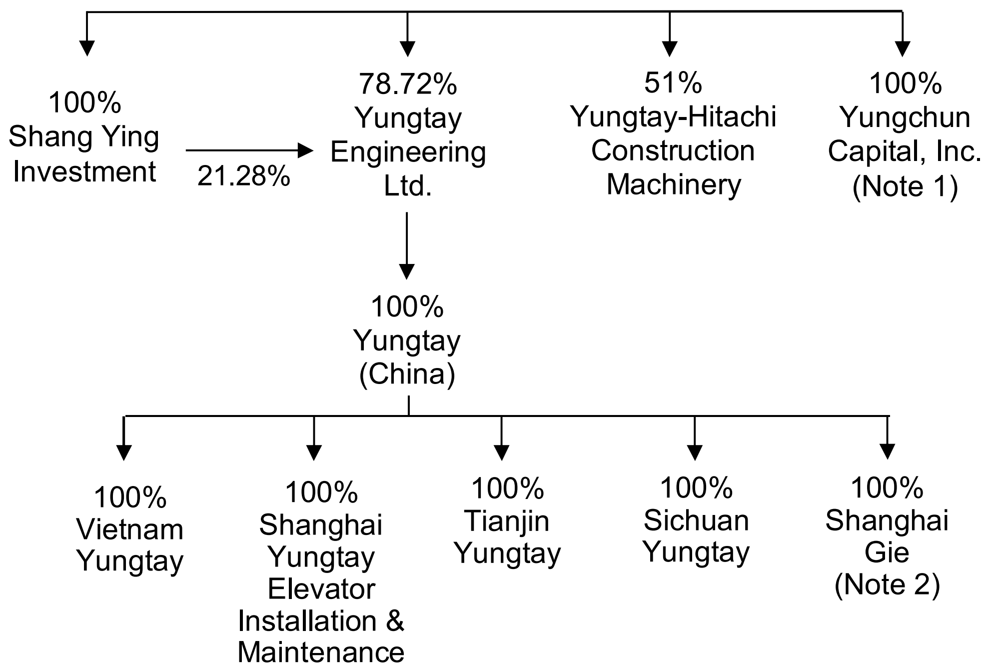
2019 Consolidated Business Report of Associated Enterprises

I. Information of associated enterprises

(I) Overview of Associated Enterprises

1. Organizational Overview of Associated Enterprises

(1) Organizational Chart of Associated Enterprises



Note 1: Yungchun Capital, Inc. holds 2,129,800 shares in Yungtay Engineering Co., Ltd. and is shown as equity instrument at fair value through other comprehensive income-non-current in the book.

Note 2. In the third quarter of 2019, for the purpose of satisfying the operational needs, the original agreement to acquire and merge the Shanghai GIE EM Co., Ltd. was to be suspended for execution, and Shanghai GIE EM Co., Ltd. is still a subsidiary 100% owned by Yungtay Elevator Equipment (China) Co., Ltd.

Note 3. Tianjin Yungtay Elevator Installation and Maintenance Co., Ltd., a 100% owned subsidiary of Tianjin Yungtay Elevator Equipment Co., Ltd., completed its cancellation on November 14, 2019.

(2) Affiliated companies whose personnel, finance, or business operation are controlled directly or indirectly by the Company as required by Article 369-2 Paragraph 2 of the Company Act : None.

2. Profile of respective associated enterprises

Unit: NTD thousand

Name of Business	Date of Establishment	Address	Paid-in capital size	Main scope of operation or production
Yungtay Engineering Ltd.	1993/3/25	54F of Hopewell Center, No. 183, Queen's Road East, Hong Kong	US$ 15,113	Investment
Yungtay Elevator Equipment (China) Co., Ltd.	1993/9/1	No. 99, Jiuxin Highway, Jiuting Township, Songjiang District, Shanghai	US$ 56,000	Manufacturing, care, and installation of elevators
Yungchun Capital, Inc.	1998/4/27	11F, No. 99, Fuxing North Road, Taipei	NT$ 85,000	General investment
Yungtay-Hitachi Construction Machinery Co., Ltd.	1998/9/25	10F, No. 99, Fuxing North Road, Songshan District, Taipei	NT$ 128,000	Dealership, repairs, and care of domestic and foreign construction machinery
Shanghai GIE EM Co., Ltd.	2005/11/24	No. 155, Jiujing Road, Jiuting Township, Songjiang District, Shanghai	RMB$ 109,000	Research and development, production, processing and sales of motors, elevator hosts, elevator door machines, elevator parts, industrial electric control equipment, and provision of after-sales service.
Shang Ying Investment Co., Ltd.-Samoa	2007/12/5	Level 2,Lotemau Centre Vaea Street, Apia, Samoa.	US$ 33,500	Investment
Tianjin Yungtay Elevator Equipment Co., Ltd.	2008/4/3	Tianjin Pharmaceutical and Medical Equipment Industrial Park (No. 3, Yongbao Road)	RMB 200,000	Manufacturing, care, and installation of elevators
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	2008/7/28	Buildings 16, No. 650, Banting Road, Jiuting Township, Songjiang District, Shanghai	RMB 20,000	Care and installation of elevators
Vietnam Yungtay Elevator Co., Ltd.	2010/1/25	No 26 Duong Lam Son, Phuong 2, Quan Tan Binh, TPHCM	US$ 800	Sales, care and installation of elevators
Sichuan Yungtay Elevator Equipment Co., Ltd.	2013/6/28	Puhe Road, Xindu District, Chengdu	RMB 152,000	Manufacturing, care, and installation of elevators

3. Associated enterprises with factories whose sales exceed 10% of the business revenue of the controlling company : Yungtay Elevator Equipment (China) Co., Ltd.
4. Data of common shareholders inferred to have control or to be in a subordinate relationship : None.
5. Industries covered in the scope of operation of associated enterprises as a whole :

   The scope of operation of the associated enterprises of the controlling company and its affiliated companies includes manufacturing, care, and installation of elevators, dealership, repairs, and care of domestic and international construction machinery, and building automatic systems and flow monitoring systems and investment, etc.

   The construction machinery and the parts sold by Yungtay-Hitachi Construction Machinery Company Limited are all purchased from Hitachi Construction Machinery Co., Ltd.
6. Profile of directors, supervisors, and general managers of individual associated enterprises:

March 31, 2020

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Yungtay Engineering Ltd.	Director	Yungtay Representative : Tso Ming Hsu	11,183,510	78.72%	0	0%
	Director	Yungtay Representative : Shang Yu Tsai			0	0%

March 31, 2020

<table>
<tr><th rowspan="2">Name of Business</th><th rowspan="2">Title</th><th rowspan="2">Name or Representative</th><th colspan="2">Shares Held</th><th colspan="2">Shares held by the representative</th></tr>
<tr><th>Quantity</th><th>Ratio</th><th>Quantity</th><th>Ratio</th></tr>
<tr><td rowspan="6">Yungtay-Hitachi Construction Machinery Co., Ltd.</td><td>Chairman</td><td>Yungtay Representative : Fong Chieh Tsai</td><td rowspan="3">6,528,000</td><td rowspan="3">51.00%</td><td>0</td><td>0%</td></tr>
<tr><td>Director</td><td>Yungtay Representative : Tso Ming Hsu</td><td>0</td><td>0%</td></tr>
<tr><td>Director</td><td>Yungtay Representative : Chieh Jen Chang</td><td>0</td><td>0%</td></tr>
<tr><td>Director and General Manager</td><td>Hitachi Construction Machinery Representative : Takunori Tsushima</td><td rowspan="2">6,272,000</td><td rowspan="2">49.00%</td><td>0</td><td>0%</td></tr>
<tr><td>Director</td><td>Hitachi Construction Machinery Representative : Satoshi Asaoka</td><td>0</td><td>0%</td></tr>
<tr><td>Supervisor</td><td>Tung Sheng Lin</td><td>0</td><td>0%</td><td>—</td><td>—</td></tr>
<tr><td rowspan="4">Yungchun Capital, Inc.</td><td>Chairman</td><td>Yungtay Representative : Tso Ming Hsu</td><td rowspan="4">8,500,000</td><td rowspan="4">100.00%</td><td>0</td><td>0%</td></tr>
<tr><td>Director</td><td>Yungtay Representative : Shang Yu Tsai</td><td>0</td><td>0%</td></tr>
<tr><td>Director</td><td>Yungtay Representative : Chung Wen Wang</td><td>0</td><td>0%</td></tr>
<tr><td>Supervisor</td><td>Yungtay Representative : Tung Sheng Lin</td><td>0</td><td>0%</td></tr>
<tr><td>Shang Ying Investment Co., Ltd</td><td>Director</td><td>Yungtay Representative : Shang Yu Tsai</td><td>33,500,000</td><td>100.00%</td><td>0</td><td>0%</td></tr>
<tr><td rowspan="4">Yungtay Elevator Equipment (China) Co., Ltd.</td><td>Legal representative and General Manager</td><td>Hong Kong Yungtay Representative : Tso Ming Hsu</td><td rowspan="4">—</td><td rowspan="4">100.00%</td><td rowspan="4">—</td><td rowspan="4">—</td></tr>
<tr><td>Director</td><td>Hong Kong Yungtay Representative : Shang Yu Tsai</td></tr>
<tr><td>Director</td><td>Hong Kong Yungtay Representative : Chung Wen Wang</td></tr>
<tr><td>Supervisor</td><td>Hong Kong Yungtay Representative : Tung Sheng Lin</td></tr>
<tr><td rowspan="4">Tianjin Yungtay Elevator Equipment Co., Ltd.</td><td>Legal Representative and General Manager</td><td>Yungtay (China) Representative : Tso Ming Hsu</td><td rowspan="4">—</td><td rowspan="4">100.00%</td><td rowspan="4">—</td><td rowspan="4">—</td></tr>
<tr><td>Director</td><td>Yungtay (China) Representative : Ting Hsien Tsai</td></tr>
<tr><td>Director</td><td>Yungtay (China) Representative : Hsing Chang</td></tr>
<tr><td>Supervisor</td><td>Yungtay (China) Representative : Chih Ang Chen</td></tr>
</table>

March 31, 2020

Name of Business	Title	Name or Representative	Shares Held		Shares held by the representative	
			Quantity	Ratio	Quantity	Ratio
Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	Legal Representative	Yungtay (China) Representative : Ke Min Ma	—	100.00%	—	—
	Director and General Manager	Yungtay (China) Representative : Hung Sen Chen				
	Director	Yungtay (China) Representative : Wen Tsung Yang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				
Vietnam Yungtay Elevator Co., Ltd	Legal Representative	Yungtay (China) Representative : Shang Yu Tsai	—	100.00%	—	—
	General Manager	Yungtay (China) Representative : Min Chou Kao				
Sichuan Yungtay Elevator Equipment Co., Ltd	Legal Representative and General Manager	Yungtay (China) Representative : Tso Ming Hsu	—	100.00%	—	—
	Director	Yungtay (China) Representative : Ting Hsien Tsai				
	Director	Yungtay (China) Representative : Tzu Wen Hsu				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				
Shanghai Gie EM Co., Ltd.	Legal Representative and General Manager	Yungtay (China) Representative : Tso Ming Hsu	—	100.00%	—	—
	Director	Yungtay (China) Representative : Wei Lin Su				
	Director	Yungtay (China) Representative : Tung Chang				
	Supervisor	Yungtay (China) Representative : Chih Ang Chen				

(II) Overview of individual associated enterprises' operation

Financial condition and operational accomplishments of respective associated enterprises:

Unit: NTD thousand

Name of Business	Capital	Gross assets	Total liabilities	Net worth	Operating Revenues	Operating Interests	Gains and losses of the term (after tax)	Earnings Per Share (NTD)
1. Yungtay Engineering Ltd.	406,222	13,728,998	6,422,471	7,306,526	7,118,738	(547,018)	(156,330)	-
2. Yungtay Elevator Equipment (China) Co., Ltd.	1,566,971	13,618,514	6,422,472	7,196,042	7,118,738	(546,435)	(158,171)	-
3. Yungchun Capital, Inc.	85,000	157,657	0	157,657	0	(240)	3,803	0.45
4. Yungtay-Hitachi Construction Machinery Co., Ltd.	128,000	619,250	231,646	387,604	880,753	98,451	81,185	6.34
5. Shang Ying Investment Co., Ltd.-Samoa	1,045,647	1,561,041	0	1,561,041	0	0	(33,239)	-
6. Tianjin Yungtay Elevator Equipment Co., Ltd.	907,680	1,917,361	329,945	1,587,417	1,181,157	17,888	24,385	-
7. Shanghai Yungtay Elevator Installation & Maintenance Co., Ltd.	95,197	533,616	87,107	446,509	128,987	18,213	(24,326)	-
8. Vietnam Yungtay Elevator Co., Ltd.	23,264	44,018	11,331	32,686	7,872	2,344	1,549	-
9. Sichuan Yungtay Elevator Equipment Co., Ltd.	736,573	1,193,438	724,464	468,973	698,115	(84,776)	(28,677)	-
10. Shanghai Gie EM Co., Ltd.	523,370	1,262,052	336,584	925,469	329,867	38,286	3,365	-

Notes : 1. The financial condition and operational accomplishments of Hong Kong Yungtay and Yungtay Elevator Equipment (China) are prepared with the values shown in consolidated statements.

2. The financial statements show values in US Dollar or RMB. For assets and liabilities and profits and losses, they are converted to NTD thousand according to the spot exchange rate and mean exchange rate on the date of report.

3. Tianjin Yungtay Elevator Installation and Maintenance Co., Ltd., a 100% owned subsidiary of Tianjin Yungtay Elevator Equipment Co., Ltd., completed its cancellation on November 14, 2019.

(III) Affiliation Report : Not applicable.

II. Organization of private placement securities : None.

III. Holding or disposal of the Company's shares by its subsidiaries in the most recent year and up to the date the Annual Report was printed

Unit: NTD thousand; share

Subsidiary Name	Paid-in capital	Source of funding	The Company Ratio	Acquisition or disposal Date	Acquired shares and Amount	Disposed shares of and value	Investment gains and losses	Number of shares held as of the date the Annual Report was printed and Amount	Pledge created	The Company Value of endorsement and guarantee provided by the Company to the subsidiary	The Company Value lent by the Company to the subsidiary
Yungchun Capital, Inc.	180,000	Self-capital	100.00%	–	–	–	–	2,129,800 shares $121,825 thousand	–	–	–

Notes : 1. The shares held by the subsidiary in the parent company are considered as the treasury stock, effective 2002; therefore, they do not affect the financial performance.

2. The subsidiary listed above was established in 1998 and no capital increase has been made ever since; therefore, it does not affect the Company's financial condition.

IV. Other matters requiring supplementary information : None.

IX. Matters with important impacts on shareholders' equity or prices of securities as indicated in Article 36, Paragraph 3, Subparagraph 2 of the Securities Exchange Act in the most recent year and up to the date the Annual Report was printed :

None.

永大機電工業股份有限公司

Chairman Tso Ming Hsu