Yungtay Engineering Co., Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

(Ticker：1507)

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Yungtay Engineering Co., Ltd.

Contents

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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.

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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

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.

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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taking you further

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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

__Notice to Readers__

The accompanying parent company only financial statements are intended only to present the parent company only 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 parent company only 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 parent company only 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 parent company only financial statements shall prevail.

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	-	3,978,068	24,756	(25,679)	(69,411)	11,295,795
Balance as of January 1, 2019	$ 4,108,200	270,267	3,009,594	-	3,978,068	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. <u>Foreign operations</u>

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) <u>Classification of Current and Noncurrent Assets and Liabilities</u>

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) 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.

(6) Financial Instruments

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. 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 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) 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.

(9) 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.

(10) 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 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

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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.

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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) 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 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) 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 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

<u>Accumulated depreciation and impairment</u>				
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)
<u>Carrying amounts</u>				
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

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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
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.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

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%	-

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

TABLE 2

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.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

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. Operating segments information

Please see Note 14 to the consolidated financial statements for the year ended December 31, 2019.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

Yungtay Engineering Co., Ltd.

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

Item	Description			Amount
Cash on hand				$ 4,920
Bank deposits				
	Checking accounts			70,686
	Demand deposits			625,128
	Foreign currency deposits			
	including	JPY162,247.00	@0.2740	45
		US$343,945.56	@29.93	10,294
		RMB263,357.93	@4.28	1,127
	Subtotal			707,280
Time deposits	including	US$2,400,000	@29.93	71,832
		Others		456,800
	Subtotal			528,632
Total				$ 1,240,832

STATEMENT 2

Yungtay Engineering Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FVTPL-CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of Financial Instrucments	Type	Shares/ Units	Par Value	Amount By Par Value	Cost	Fair Value Unit Price	Fair Value Amount
Financial assets held for trading:							
2897 O Bank	Sotck	3,015,000	$ 10	$ 30,150	$ 21,105	$ 7.81	$ 23,547
Cathay FTSE China A50 ETF	Beneficiary Certificate	30,000	10	300	485	22.03	661
Jih Sun Money Market Fund	Beneficiary Certificate	3,368,478	10	33,685	49,865	14.8776	50,115
Franklin Templeton SinoAm Money Market Fund	Beneficiary Certificate	4,858,378	10	48,584	50,000	10.3791	50,426
TSITC Taiwan Money Market Fund	Beneficiary Certificate	3,279,334	10	32,793	50,000	15.363	50,380
Mega Diamond Money Market Fund	Beneficiary Certificate	3,978,833	10	39,788	49,900	12.5911	50,098
Taishin 1699 Money Market Fund	Beneficiary Certificate	3,704,829	10	37,048	50,000	13.5842	50,327
Yuanta De-Li Money Market Fund	Beneficiary Certificate	3,055,189	10	30,552	50,000	16.3699	50,013
Prudential Financial Money Market Fund	Beneficiary Certificate	3,151,314	10	31,513	50,000	15.8817	50,048
KGI Victory Money Market Fund	Beneficiary Certificate	4,306,706	10	43,067	50,000	11.6233	50,058
Fubon Chi-Hsiang Money Market Fund	Beneficiary Certificate	6,356,353	10	63,564	100,000	15.7443	100,076
TCB Taiwan Money Market Fund	Beneficiary Certificate	4,907,831	10	49,078	50,000	10.1982	50,051
UPAMC James Bond Money Market Fund	Beneficiary Certificate	2,982,795	10	29,828	50,000	16.7782	50,046
SinoPac TWD Money Market Fund	Beneficiary Certificate	3,580,226	10	35,802	50,000	13.9742	50,031
The RSIT Enhanced Money Market Fund	Beneficiary Certificate	4,164,133	10	41,641	50,000	12.0125	50,022
Shin-Kong Chi-Shin Money Market Fund	Beneficiary Certificate	3,217,131	10	32,171	50,000	15.5433	50,005
UPAMC Global AIOT Fund TWD	Beneficiary Certificate	20,000	10	200	6,198	318.1559	6,363
Prudential Financial US Investment Grade Corporate Bond Fund	Beneficiary Certificate	30,000	10	300	9,297	302.485	9,075
		Total		$ 580,064	$ 786,850		$ 791,342

STATEMENT 3

Yungtay Engineering Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS IN EQUITY INSTRUMENTS AT FVTOCI-CURRENT
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

						Fair Value	
Name of Financial Instruments	Type	Shares/Units	Par Value	Amount by Par Value	Cost	Unit Price	Amount
2897 O Bank	Stock	10,769,539	10	$ 107,695	$ 103,700	7.81	$ 84,110

STATEMENT 4

Yungtay Engineering Co., Ltd.

STATEMENT OF NOTES RECEIVABLE AND NOTES RECEIVABLE FROM RELATED PARTIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties:	
Evest Corporation	$ 1,212
Subtotal	1,212
Non-related parties:	
Client A	9,795
Others (Note)	177,067
Subtotal	186,862
Less: Allowance for doubtful accounts	(1,869)
Total	$ 186,205

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

STATEMENT 5

Yungtay Engineering Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties:	
Yungtay Elevator Equipment (China) Co.	$ 417
Taiwan Calsonic Co., Ltd (TWNCAL)	8
Evest Corporation	591
Taiwan Hitachi Construction Machinery Co., Ltd.	46
Subtotal	1,062
Non-related parties:	
Client B	55,982
Others	981,230
Subtotal	1,037,212
Less: Allowance for doubtful accounts	(29,553)
Total	$ 1,008,721

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

STATEMENT 6

Yungtay Engineering Co., Ltd.

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

Item	Amount	
	Cost	Net Realizable Value
Work in process		
Elevator	$ 772,220	$ 1,382,701
Construction in process	23,165	
Raw materials		
Elevator	289,817	270,178
Subtotle	1,085,202	$ 1,652,879
In-transit inventory	21,086	
Less: allowance for inventory decline loss	(25,419)	
Total	$ 1,080,869	

STATEMENT 7

Yungtay Engineering Co., Ltd.

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

Item	Amount
Prepayment for purchases:	
Prepayment for foreign purchases -mainly for prepayments of materials for elevator construction	$ 19
prepayment for domestic purchases -mainly for prepayments of materials through T/T	7,283
Prepaid expense-insurance, rental and etc.	2,334
Total	$ 9,636

STATEMENT 8

Yungtay Engineering Co., Ltd.

STATEMENT OF CHANGS IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Market Value or Net Assets Value			
Investees	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit Price(NT$)	Total Amount	Collateral	Note
Yunttay Engineering Co. (HK)	11,183,510	$ 6,106,993	-	$ 22	-	$ (359,449)	11,183,510	78.72%	$ 5,747,566	-	$ 5,747,566	Nil	1, 2
Taiwan Calsonic Co., Ltd (TWNCAL)	12,900,000	239,864	-	5,009	-	(43,887)	12,900,000	20.16%	200,986	30.65	395,385	Nil	1, 2
Yungjiun Investment Co., Ltd.	8,500,000	16,878	-	3,865	-	(31)	8,500,000	100.00%	20,712	-	20,712	Nil	1, 2
Taiwan Hitachi Construction Machinery Co., Ltd.	6,528,000	182,968	-	41,404	-	(26,695)	6,528,000	51.00%	197,677	-	197,677	Nil	1, 2
Evest Corporation	7,007,172	136,025	-	20,509	-	(25,086)	7,007,172	41.22%	131,448	-	131,448	Nil	1, 2
Better Win Investment Co. (SAMOA)	33,500,000	1,658,996	-	-	-	(97,956)	33,500,000	100.00%	1,561,040	-	1,561,040	Nil	1, 2
Total		$ 8,341,724		$ 70,809		$ (553,104)			$ 7,859,429		$ 8,053,828		

(Note 1) Increase in this period or decrease in this period mainly including additions in investment, decrease in investment, investment income or loss recognized under equity method and foreign currency statements translation adjustments was as follows:

	Investment income or loss in this period	Exchange differences arising on translation of foreign operations	Capital Surplus-Investments accounted for using equity method	Cash dividends	Actuarial loss of defined benefits plan	Unrealized sales profit	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income	Retained earnings	Total
Yunttay (HK)	$ (120,610)	$ (238,839)	-	-	-	$ 22	-	-	$ (359,427)
TWNCAL	(35,370)	(6,186)	$ 2	-	$ (329)	-	$ 5,007	$ (2,002)	(38,878)
Yungjiun	(31)	-	3,834	-	-	-	31	-	3,834
YHCMC	41,404	-	-	$ (26,695)	-	-	-	-	14,709
Evest	20,475	34	-	(24,525)	(561)	-	-	-	(4,577)
Better Win	(33,239)	(64,717)	-	-	-	-	-	-	(97,956)
Total	$ (127,371)	$ (309,708)	$ 3,836	$ (51,220)	$ (890)	$ 22	$ 5,038	$ (2,002)	$ (482,295)

(Note 2) The differences between ending balance of investments accounted for using equity method and the company's market price or net assets value comprise the differences expressed by closing price of the TWSE, write-off of intercompany's profit from downstream/upstream transactions and accounting treatment of treasury stock.

STATEMENT 8-1

Yungtay Engineering Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS IN EQUITY INSTRUMENTS AT FVTOCI-NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019		
Investees	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Collateral
Yungguan Electrical Co., Ltd.	148,000	$ 2,265	-	-	-	-	148,000	$ 2,265	Nil
Asia Hitachi Elevator Engineering co., Ltd.	6,760	78,169	-	-	-	-	6,760	78,169	Nil
King's World Investment Co., Ltd.	21,090	900	-	-	-	-	21,090	900	Nil
Lishi Joint Venture Co., Ltd.	812,693	4,115	-	-	-	-	812,693	4,115	Nil
Ultra Life Taiwan Inc. (Note)	11,361,946	-	-	-	-	-	11,361,946	-	Nil
Subtotal		$ 85,449		-		-		$ 85,449	

Note: The net worth of Ultra Life Taiwan Inc. was negative, thus the carrying amount of investment in Ultra Life Taiwan Inc. was NT$0. Ultra Life Taiwan Inc. has finished the dissolution in 2014 and its liquidation procedure has been still on the way as of December 31, 2019.

STATEMENT 9

Yungtay Engineering Co., Ltd.

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

Vendor Nane	Amount
Non-related party:	
Others (Note)	$ -
Other notes payable (bonus paid in January, 2020)	278,997
Total	$ 278,997

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

STATEMENT 10

Yungtay Engineering Co., Ltd.

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

Vendor Name	Amount
Related party:	
Yungtay Elevator Equipment (China) Co.	$ 46,502
Taiwan Calsonic Co., Ltd. (TWNCAL)	48
Hitachi, Ltd.	39
Subtotal	46,589
Non-related party	
Others (Note)	509,614
Subtotal	509,614
Total	$ 556,203

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

STATEMENT 11

Yungtay Engineering Co., Ltd.

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

Item	Amount	
Bonus, salaries and benefits (Note 1)	$	62,875
Rental		679
technical compensation fee (Note 2)		305
Employee retirement pension (Note 3)		8,861
Overtime pay		3,879
Insurance expense		23,185
Value-added tax (Note 4)		29,172
Employees' compensation and remuneration to directors (Note 5)		49,976
Short-term employees' benefits		36,171
Others		15,797
Total	$	230,900

Note 1: Partial bonus has been paid in January, 2020.

Note 2: Estimated based on the contracts agreed.

Note 3: Deposits to the Labor Insurance Bureau in the following month.

Note 4: Paid in January, 2020.

Note 5: Refer to the employees' compensation and remuneration to directors accrued in 2019.

Yungtay Engineering Co., Ltd.

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

Item	Description	Lease Term	Discount Rate (%)	Balance, End of Year	
Buildings	Mainly for the use of offices	2019.1.1~2024.4.30	1.15%	$	14,648
Less: Current portion					(7,503)
Noncurrent portion				$	7,145

STATEMENT 13

Yungtay Engineering Co., Ltd.

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

Client Name	Amount
Related party:	
Yungtay Elevator Equipment (China) Co.	$ 6,135
Subtotal	6,135
Non-related party	
Others-Payments for elevators and related supplies (Note)	1,954,748
Others-Rentals (Note)	1,520
Subtotal	1,956,268
Total	$ 1,962,403

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

STATEMENT 14

Yungtay Engineering Co., Ltd.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Quantity	Amount
Total operating revenue		
Elevator	3,272	$ 3,020,923
Less: sales allowance		(3,714)
Net of operating revenue		3,017,209
Total maintenance and repair revenue		2,897,600
Less: maintenance allowance		(3,493)
Net of maintenance and repair revenue		2,894,107
Rental		30,941
Total		$ 5,942,257

STATEMENT 15

Yungtay Engineering Co., Ltd.

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

Item	Amount
Operating cost (including installation)	
Elevator	$ 2,669,171
Cost of maintenance and repair	1,324,137
Cost of rental	5,764
Total	$ 3,999,072

Yungtay Engineering Co., Ltd.

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

Item	Amount: Subtotal	Amount: Total
Consumed raw materials for current year		
Beginning ras materials	$ 310,294	
Plus: raw materials purchased for current year	1,609,601	
Less: loss on physical count of raw materials	(32)	
Less: ending raw materials	(310,903)	$ 1,608,960
Direct labor		57,294
Manufacturing overhead (including installation expense)		981,685
Total manufacturing cost		2,647,939
Plus: beginning work in process (including construction in progress)		802,446
Plus: related cost and expense transferred in		173,019
Less: related cost and expense transferred out		(152,636)
Less: ending work in process (including construction in progress)		(795,385)
Total cost of finished goods		2,675,383
Deduction item of production and marketing costs		(6,245)
Addition item of production and marketing costs		33
Total cost of goods sold (including installation)		2,669,171
Maintenance cost		1,324,137
Rental cost		5,764
Total operating cost		$ 3,999,072

STATEMENT 15-2

Yungtay Engineering Co., Ltd.

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

Item	Amount
Salary & wages	$ 91,235
Pension cost	9,746
Rental expense	209
Stationery	577
Travel expense	630
Freight	24,586
Repair fee	7,058
Utilities expense	507
Insurance expense	14,441
Entertainment expense	124
Depreciation	31,474
Meal expense	5,628
Employee Benefits	1,125
Employee training expense	68
Supplies	219
Magazine	4
Miscellaneous purchases	2,932
Overtime pay	17,045
Transportation fee	12
Fuel expense	321
Service expense	4,527
Project developing expense	1,915
Power fee	14,686
Fixture expense	7
Medical expense	116
Sundry	10,577
Subtotal	239,769
Installation expense	741,916
Total	$ 981,685

Yungtay Engineering Co., Ltd.

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

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Salary and wages	$ 57,484	$ 239,520	$ 117,334	$ 414,338
Pension expense	-	26,399	6,710	33,109
Rental expense	-	1,033	211	1,244
Supplies expense	-	3,715	2,870	6,585
Travelling expense	-	5,077	1,952	7,029
Freight expense	-	89	10	99
Phone/Fax expense	-	3,377	9	3,386
repair and maintenance expense	-	5,837	871	6,708
Eentertainment expense	1,137	6,854	50	8,041
Advertising expense	1,772	660	-	2,432
Utilities expense	-	1,138	-	1,138
Insurance expense	-	18,786	10,085	28,871
Donations	-	8,602	-	8,602
Taxes	-	15,221	-	15,221
Depreciation	-	14,251	478	14,729
Meal expense	-	4,631	2,693	7,324
Employees benefits	-	8,943	-	8,943
Training expense	-	1,829	643	2,472
Export expense	1,293	-	-	1,293
Technical compensation fee	261	-	-	261
Overtime pay	-	7,713	7,215	14,928
Mileage expense	-	877	130	1,007
Fuel expense	-	4,444	925	5,369
Book magazine fee	-	215	85	300
Miscellaneous purchases	-	2,702	1,139	3,841
Professional service fee	-	20,920	-	20,920
Medical fee	-	1,017	-	1,017
Service fee	-	831	-	831
Project development fee	-	-	13,202	13,202
Sundry expenses	-	15,630	670	16,300
Total	$ 61,947	$ 420,311	$ 167,282	$ 649,540