Yungtay Engineering Co., Ltd. and Subsidiaries

Consolidated 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.
and Subsidiaries

Contents

REPRESENTATION LETTER

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

Very truly yours,

Yungtay Engineering Co., Ltd.

By

Chairman: Xu, Zuo-Ming

March 25, 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Yungtay Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2019, and 2018, and the consolidated statements of comprehensive income, cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Decree of Jin Guan Jheng Shen No.1090360805 promulgated from Financial Regulatory Commission on February 25, 2020 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standard are further described in the section Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these

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requirements. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Recognition of sales

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

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

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

Evaluation of inventories

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

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

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and

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SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

林昇平　陳仁基

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

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets - Assets

December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

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

(Notes attached are part of the consolidated financial statements)

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

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets – Liabilities and Equity

December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

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

(Notes attached are part of the consolidated financial statements)

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

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

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

(Notes attached are part of the consolidated financial statements)

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

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
			Retained earnings			Other equity					
Item	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Treasury share	Total	Non-controlling interests	Total equity
Balance as of January 1, 2018	$ 4,108,200	264,835	2,896,805	-	4,242,482	155,476	(14,969)	(69,411)	11,583,418	181,518	11,764,936
Appropriation & distribution of earnings in 2017											
Legal reserve			112,789		(112,789)				-	-	-
Cash dividends					(821,640)				(821,640)	-	(821,640)
Adjustments of capital surplus due to cash dividends paid from parent to subsidiaries		4,259							4,259	-	4,259
Overdue dividends unclaimed		1,170							1,170	-	1,170
Share of changes in net assets of associates accounted for using equity method		3							3	-	3
Net income in 2018					674,747				674,747	56,996	731,743
Other comprehensive income (loss) in 2018					(4,732)	(130,720)	(10,710)		(146,162)	-	(146,162)
Total comprehensive income (loss) in 2018	-	-	-	-	670,015	(130,720)	(10,710)	-	528,585	56,996	585,581
Non-controlling interests received cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(62,720)	(62,720)
Balance as of December 31, 2018	$ 4,108,200	270,267	3,009,594	-	3,978,068	24,756	(25,679)	(69,411)	11,295,795	175,794	11,471,589
Balance as of January 1, 2019	$ $4,108,200	270,267	3,009,594	-	3,978,068	24,756	(25,679)	(69,411)	11,295,795	175,794	11,471,589
Appropriation & distribution of earnings in 2018											
Legal reserve			67,474		(67,474)				-	-	-
Special reserve				923	(923)				-	-	-
Cash dividends					(739,476)				(739,476)	-	(739,476)
Adjustments of capital surplus due to company's cash dividends paid to subsidiaries		3,834							3,834	-	3,834
Overdue dividends unclaimed		939							939	-	939
Share of changes in net assets of associates accounted for using equity method		2							2	-	2
Net income in 2019					939,668				939,668	39,781	979,449
Other comprehensive income (loss) in 2019					43,375	(309,708)	990		(265,343)	-	(265,343)
Total comprehensive income (loss) in 2019	-	-	-	-	983,043	(309,708)	990	-	674,325	39,781	714,106
Adjustments to share of disposal and capital reduction of investments in equity instruments at fair value through other comprehensive income owned by associates	-	-	-	-	(2,002)	-	2,002	-	-	-	-
Non-controlling interests received cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(25,649)	(25,649)
Balance as of December 31, 2019	$ 4,108,200	275,042	3,077,068	923	4,151,236	(284,952)	(22,687)	(69,411)	11,235,419	189,926	11,425,345

(Notes attached are part of the consolidated financial statements)

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

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

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

(Continued)

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

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

(Notes attached are part of the consolidated financial statements)

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

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

1. GENERAL

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

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

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

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

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

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

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

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

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

The Group as lessor

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of Compliance

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

(2) Basis of Preparation

a. Basis of measurement

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

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

b. Functional and reporting currency

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

(3) Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

b. The subsidiaries included in the consolidated financial statements

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

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

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

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

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

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

d. Significant restriction: None.

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

(4) Foreign Currency

a. Foreign currency transaction

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

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

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

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

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

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

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

b. Foreign operations

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

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

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

(5) Classification of Current and Noncurrent Assets and Liabilities

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

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

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

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

(6) Cash and Cash Equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits (including foreign-currency deposits) meeting the aforementioned definition and held for the purpose of fulfilling short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(7) Financial Instruments

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

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

a. Financial Assets

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

(a) Category of financial assets and measurement

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

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

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

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

(i) Financial assets at FVTPL

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

(ii) Financial assets measured at amortized cost

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

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

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

(iii) Investments in equity instruments at FVTOCI

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

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

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

(b) Impairment of financial assets

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

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

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

(c) Derecognition of financial assets

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

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

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

c. Derivative financial instruments

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

(8) 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 Group.

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

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

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

(9) **Inventories**

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

(10) **Non-current Assets Held for Sale**

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) 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	2~30
Electrical and Mechanical Engineering	5~15
Machinery and Equipment	5~15
Telecommunications Equipment	2~10
Transportation Equipment	2~10
Furniture and Fixtures	2~10
Research Equipment	2~10
Tools and Sundry Equipment	2~10

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

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

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

(13) Investment Properties

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

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

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

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

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

(14) Leases

2019

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

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

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

2018

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

a. The Group as lessor

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

b. The Group as lessee

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

(15) 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 – 1~10 years; membership qualification of golf club acquired in Mainland China – 35 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(16) 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 Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

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

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

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

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

(17) Provision

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

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

(18) Treasury Stock

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

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

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

(19) Employee benefits

a. Short-term employee benefits

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

b. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

(i) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when where is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

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

c. Termination benefits

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

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

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

(20) Revenue Recognition

a. Sale of Goods

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

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

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

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

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

b. Service provided

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

c. Rental, dividend and interest income

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

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

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

d. Government Grants

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

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

(21) Taxation

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

Current tax

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

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

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

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

(22) Business Combination

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

(23) Earnings per share

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

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

(24) Operating segments

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

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

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

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

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

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

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

(2) Impairment Loss of Goodwill

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

(3) Impairment Assessment on Investment Using Equity Method

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

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

(4) Income Tax

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

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

(5) Valuation of Inventory

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

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

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

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

(7) Estimated impairment of financial assets

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

6. Description of Major Accounting Items

(1) Cash and cash equivalents

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

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

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

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

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

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

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

b. Outstanding forward exchange contracts consisted of the following:

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

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

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

(3) Investments in Equity Instruments at FVTOCI

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

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

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

(4) Notes and Accounts Receivable, net

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

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

December 31, 2019

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

December 31, 2018

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

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

December 31, 2019

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

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

December 31, 2018

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

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

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

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

(5) Inventories

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

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

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

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

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

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

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

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

(6) Incremental costs of obtaining contracts and prepayments

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

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

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

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

(7) Non-current assets held for sale

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

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

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

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

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

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

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

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

(8) Refundable deposits

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

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

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

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

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

(9) Investments accounted for using equity method

a. Material associates: None.

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

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

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

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

(a) Associates

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

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

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

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

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

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

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

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

(10) Property, plant and equipment

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

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

Transfers	-	(128,836)	5,171	5,000	(2,241)	(120,898)
Effect of exchange rate changes	-	(130,604)	(72,978)	(40,497)	(1,142)	(245,221)
Balance at Dec. 31, 2019	$ 1,094,926	4,147,425	2,303,191	1,365,005	53,948	8,964,495
Balance at Jan. 1, 2018	$ 1,061,833	4,514,648	2,440,127	1,431,553	283	9,448,444
Additions	-	6,518	19,794	29,336	1,594	57,242
Disposals	-	(53,881)	(74,157)	(43,774)	-	(171,812)
Transfers	33,093	11,583	14,124	72	(282)	58,590
Effect of exchange rate changes	-	(59,674)	(32,280)	(18,147)	(14)	(110,115)
Balance at Dec. 31, 2018	$ 1,094,926	4,419,194	2,367,608	1,399,040	1,581	9,282,349
Accumulated depreciation and impairment						
Balance at Jan. 1, 2019		$ (1,672,811)	(1,209,034)	(981,416)		(3,863,261)
Additions		(136,890)	(136,627)	(83,042)		(356,559)
Disposals		12,991	12,748	32,966		58,705
Transfers		63,880	-	19,821		83,701
Effect of exchange rate changes		56,905	34,226	6,087		97,218
Balance at Dec. 31, 2019		$ (1,675,925)	(1,298,687)	(1,005,584)		(3,980,196)
Balance at Jan. 1, 2018		$ (1,569,808)	(1,152,515)	(914,165)		(3,636,488)
Additions		(136,266)	(143,964)	(96,529)		(376,759)
Disposals		12,545	71,407	38,065		122,017
Transfers		(14,290)	2,755	306		(11,229)
Effect of exchange rate changes		35,008	13,283	(9,093)		39,198
Balance at Dec. 31, 2018		$ (1,672,811)	(1,209,034)	(981,416)		(3,863,261)
Carrying amounts						
Dec. 31, 2019	$ 1,094,926	2,471,500	1,004,504	359,421	53,948	4,984,299
Dec. 31, 2018	$ 1,094,926	2,746,383	1,158,574	417,624	1,581	5,419,088

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

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

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

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

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

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

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

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

(11) Right-of-use assets - 2019

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

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

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

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

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

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

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

(12) Investment properties, net

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

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

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

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

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

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

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

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

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

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

(13) Intangible assets

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

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

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

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

(14) Long-term prepaid rents

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

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

Accumulated amortization		
Balance at Jan. 1, 2019	$	71,554
Effect of retrospective application		(71,554)
Balance at Jan. 1, 2019		-
Amortization expense		-
Effect of exchange rate changes		-
Balance at Dec. 31, 2019	$	-
Balance at Jan. 1, 2018	$	(66,295)
Amortization expense		(6,462)
Effect of exchange rate changes		1,203
Balance at Dec. 31, 2018	$	(71,554)
Carrying amounts		
Dec. 31, 2019	$	-
Dec. 31, 2018	$	234,033

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

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

(15) Contract liabilities-current

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

(16) Other payables

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

(17) Lease liabilities

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

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

Amounts recognized in profit or loss were as follows:

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

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

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

a. Leases of lands and buildings

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

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

b. Others

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

(18) Guarantee deposits received

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

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

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

(19) Employees' retirement benefit plans

a. Defined benefit plans

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

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

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

(a) Composition of plan assets

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

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

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

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

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

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

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

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

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

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

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

(f) Actuarial assumptions

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

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

(g) Historical information in relation to experience adjustments

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

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

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

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

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

b. Defined contribution plans

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

c. Short-term paid leave payable

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

(20) Equity

a. Capital stock

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

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

b. Capital surplus

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

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

The appropriations of earnings for 2018 and 2017 were approved in the Company shareholders' meetings held on June 18, 2019 and June 28, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2018	For Fiscal Year 2017	For Fiscal Year 2018	For Fiscal Year 2017
Legal reserve	$ 67,474	112,789	-	-
Special reserve	$ 923	-	-	-
Cash dividends to shareholders	$ 739,476	821,640	1.8	2.0

The Company's appropriations of earnings for 2019 was approved in the Board of Directors meeting held on March 25, 2020. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
	For Fiscal Year 2019	For Fiscal Year 2019
Legal reserve	$ 93,967	
Special reserve	306,716	
Cash dividends to shareholders	985,968	2.4
Total	$ 1,386,651	

The appropriation of earnings for 2019 are to be resolved in the Company shareholders' meeting which is expected to be held on June 18, 2020, and please go to the Market Observation Post System website of the Taiwan Stock Exchange for information on the appropriation of earnings for 2019 when the Company shareholders' meeting is over.

d. Employees' compensation and remuneration to directors

(a) According to the Articles of Incorporation of the Company, the ratio of no less than 1% of pre-tax profit before the distribution of employees' compensation and remuneration for directors for employees' compensation and no more than 1% for directors' remuneration were accrued in 2019 and 2018, respectively, as follows:

	Years Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 44,978	-	28,777	-
Directors' remuneration	$ 4,998	-	3,569	-

If the aforementioned amounts has changed after the annual financial reports being authorized for issue, the difference would be treated as a change in the accounting estimate and recognized as next year's profit or loss.

(b) The employees' compensation and directors' remuneration for 2018 and 2017 resolved by the Board of Director convened on May 13, 2019 and March 15, 2018, respectively, were as follows:

	Years Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 38,249	-	42,608	-
Directors' remuneration	$ 4,250	-	4,734	-

The discrepancy between the actual distributed amount resolved by the Board of Directors and the estimated figure recognized in the annual financial report, are recorded as a change in the accounting estimate and recognized as next years' profit or loss.

The information on the employees' compensation and directors' remuneration can be obtained from the Market Observation Post System on the website of the Taiwan Stock Exchange.

e. Other equity

(a) Exchange differences on translation of foreign operations

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	24,756	155,476
Exchange differences arising on translation of foreign operations		(303,556)	(126,295)
Shares of other comprehensive income (loss) of associates accounted for using equity method		6,152	(4,425)
Balance, end of year	$	(284,952)	24,756

(b) Unrealized gain (loss) on financial assets at FVTOCI

		Years Ended December 31	
		2019	2018
Balance, beginning of year	$	(25,679)	(14,969)
Changes in share of other comprehensive income (loss) of associates accounted for using equity method		5,007	(909)
Recognized during the period		(2,015)	(9,801)
Balance, end of year	$	(22,687)	(25,679)

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in repect of the Company's share held by the subsidiary "Yungjiun" was as follows:

	Holding Shares		Initial Cost	Market Price
December 31, 2019	2,129,800		69,411	136,946
December 31, 2018	2,129,800	$	69,411	126,084

(21) Operating revenue

The relevant information of the Group's revenue from contracts with customers for the years ended December 31, 2019 and 2018, respectively, was as follows:

		Years Ended December 31	
		2019	2018
Net revenue from sales of goods	$	9,296,121	10,572,410
Net revenue from services			
Maintenance and repair		4,396,753	4,261,531
Rental		25,474	24,687
Total	$	13,718,348	14,858,628

a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Group sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.

b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

		December 31 2019	December 31 2018
Current	$	209,403	269,051
Non-current	$	86,700	91,131

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Disaggregation of revenue from contracts with customers

Please refer to Note 14: Segments Information (2).

e. Contract balances

Contract liabilities-current

	Beginning balance	Ending balance	Difference
Sales of goods	$ 6,049,968	6,076,982	27,014

f. Incremental costs of obtaining contracts

Please see Note 6(6).

(22) Non-operating income and expenses

	Years Ended December 31	
	2019	2018
a. Other income		
Interest income	$ 68,394	63,635
Dividend income	29,115	12,406
Total	$ 97,509	76,041
b. Government grants	$ 12,972	11,891
c. Other gains and losses		
Net gain (loss) on financial assets at FVTPL	$ 3,421	(4,756)
Impairment (loss) -non-current assets held for sale	(10,000)	(414)
Gain from recovery of impairment-investment properties	-	590
Net gain on disposal of property, plant and equipment	1,151	10,123
Gain (loss) on disposal of investment properties	1,065	(467)
Net gain on disposal of non-current assets held for sale	259,938	-
Net (loss) on obsolescence of property, plant and equipment	(5,788)	(3,045)
Penalty and compensation income	4,929	21,705
Foreign exchange gain (loss), net	850	(246)
Impairment (loss) on goodwill	-	(123,888)

		2019	2018
Other income transferred from overdue consignment fee accured		11,159	36,680
Other gains		34,052	46,360
Total	$	300,777	(17,358)

d. Finance costs

Interest expense	$	(50)	(105)
Interest expense on lease liabilities		(913)	-
Total	$	(963)	(105)

e. Shares of (loss)/profit of associates accounted for using equity method	$	(14,895)	8,566

(a) Interest income included the interest income earned from structured financing product (accounted for as financial assets at FVTPL) for the year ended December 31 held by Yungtay (China).

(b) Penalty and compensation income referred to the confiscated deposits due to the customers' failure of implementing the contract of purchases.

(c) The resulting gain of NT$259,938 thousand on disposal of noncurrent assets held for sale in July, 2019, please refer to 6(7)c for details.

(23) Summary of employee benefits, depreciation and amortization expenses by function:

	2019			2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits expenses						
Salaries	1,987,451	1,172,549	3,160,000	1,925,917	1,120,806	3,046,723
Labor and health insurance	194,068	90,503	284,571	193,173	91,459	284,632
Pension cost	193,800	131,614	325,414	200,733	132,186	332,919
Other benefits expenses	202,314	71,723	274,037	198,284	71,961	270,245
Depreciation expenses	211,198	152,870	364,069	222,580	162,171	384,751
Depreciation expenses-right-of-use assets	14,336	6,778	21,114	-	-	-
Amortization expenses	110	12,994	13,104	112	13,797	13,909

As of December 31, 2019 and 2018, the Group had employees of 5,165 and 5,196, respectively, and the computing basis was consistent with that of employee benefits expenses.

(24) Income tax

a. Major components of income tax expense were as follows:

	Years Ended December 31	
	2019	2018
Current income tax expense		
Current tax expense recognized in the current year	$ 279,764	218,578
Income tax on unappropriated earnings	2,617	11,150
Investment tax credit	(3,000)	(3,000)
Land incremental tax	-	99
	279,381	226,827
Deferred income tax expense (benefit)		
Temporary differences (Note)	(13,673)	120,967
Effect of deferred tax resulting from changes of income tax rate	-	(24,868)
Income tax expense recognized in profit or loss	$ 265,708	322,926

(Note): The effect of exchange rate changes was included in the difference between deferred income tax (benefit) and deferred income tax assets and liabilities.

b. Income tax expense (benefit) recognized in other comprehensive income

	Years Ended December 31	
	2019	2018
Related to remeasurement of defined benefit obligation	$ 11,066	(1,165)

c. A reconciliation of accounting income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2019	2018
Income before tax	$ 1,245,157	1,054,669
Income tax expense at the statutory rate	$ 265,271	224,029
Tax effect of adjusting items:		
Deductible items in determining taxable income	15,254	(4,688)
Undeductible loss carryforward	(761)	(763)

Additional income tax on unappropriated earnings		2,617	11,150
Tax effect of investment tax credits		(3,000)	(3,000)
The origination and reversal of temporary differences		(13,673)	120,967
Land incremental tax		-	99
Effect of deferred tax resulting from changes of income tax rate		-	(24,868)
Income tax expense recognized in profit or loss	$	265,708	322,926

d. The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

		Years Ended December 31	
		2019	2018
Deferred income tax assets			
Differences of time of recognized revenue	$	253,742	235,784
Short-term employees' benefits		10,934	10,637
Bad debts loss		99,278	95,078
Loss provision for non-current assets held for sale and investment properties		4,135	1,755
Accrued expenses		38,446	41,979
Unrealized net sales profit among parent and subsidiaries		10,673	7,552
Differences of depreciation expenses pertained to years		92	138
Unrealized foreign exchange loss		6,746	6,461
Unrealized investment loss of investee co.		1,826	1,826
Temporary credits overdue 2 years		-	36
Difference of pension appropriation		66,140	102,705
Undeductible loss carryforward		124,096	129,237
Total	$	616,108	633,188
Deferred income tax liabilities			
Land incremental tax	$	(2,702)	(2,702)
Temporary differences of depreciation expense		(2,173)	(3,394)
Total	$	(4,875)	(6,096)

e. Income tax assessments

The tax authorities have examined and approved the income tax returns of the Company through 2017.

(25) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

	Years Ended December 31	
	2019	2018
Net income available to common shareholders of the parent	939,668	674,747
The weighted-average number of shares outstanding in computing the basic earnings per share	408,690,200	408,690,200
Basic earnings per share (NT$)	2.30	1.65

(26) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

		Years Ended December 31	
		2019	2018
Acquisition of property, plant and equipment	$	113,520	57,242
Plus: payables on equipment at beginning of year		14,676	29,661
Less: payables on equipment at ending of year		(16,478)	(14,676)
Effect of exchange rate changes		(634)	(390)
Cash paid in the year	$	111,084	71,837

		Years Ended December 31	
		2019	2018
Disposal of noncurrent assets held for sale	$	289,916	-
Plus: beginning proceeds from disposal of equipment receivable (accounted for other receivable)		-	-

Less: Ending proceeds from disposal of equipment receivable (accounted for other receivable)		(56,816)	-
Effect of exchange rate changes		(1,167)	-
Cash received for current year	$	231,933	-

The description on other receivable, please see Note 6(7).c.

7. Related party transactions

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

(1) Related party name and categories

Related Party Name	Related Party Categories
Taiwan Calsonic Co., Ltd. ("TWNCAL")	Associate
Japan Hitachi Construction Machinery Co., Ltd. ("JHCMC")	Other related party - Investing company accounted for using equity method to YHCMC, subsidiary of the Company
Evest Corporation ("Evest")	Associate
Hitachi, Ltd.	Other related party (as related party since 2018)
Yungtay Education and Culture Foundation ("YECF")	Main Donee of the Company
Yungtay Social Welfare Foundation ("YSWF")	Main Donee of the Company

All directors and the Group's key management (including general manager and executive vice presidents)

(2) Significant transactions between the Group and related parties:

a. Sales revenue

Related Party Categories		Years Ended December 31	
		2019	2018
TWNCAL	$	-	680
Hitachi, Ltd.		27,918	17,688
Total	$	27,918	18,368

The rail connecting plates have been sold by the Group to Hitachi, Ltd. Due to no other similar products sold to non-related parties, there is no identical transaction with which to compare. Consequently, the aforementioned products have been sold on condition of sales price and terms as agreed and the payments are collected from 1 month to 3 months after the delivery of goods.

b. Maintenance Revenue

Related Party Categories	Years Ended December 31 2019	2018
TWNCAL	$ 7	-
Evest	104	79
Total	$ 111	79

c. Rental Income

Related Party Categories	Years Ended December 31 2019	2018
Evest	$ 6,691	6,691

Related Party Categories	Accounts and Notes Receivable December 31, 2019	December 31, 2018
TWNCAL	$ 7	554
Evest	1,803	1,801
Hitachi, Ltd.	2,645	-
Total	$ 4,455	2,355

The Group rents out Luzu plant and computer software system to related parties. The rental price collected from the related parties is the same as that of the ordinary lessee, nevertheless, Evest issues check per month according to the contract signed by the Company and Evest, unlike the ordinary lessee who issues the check once a year, depending on the lease term with different time to cash check.

d. Purchases

Related Party Categories	Years Ended December 31 2019	2018
TWNCAL	$ 103	676
JHCMC	520,777	486,782
Hitachi, Ltd.	11,922	64,110
Total	$ 532,802	551,568

Related Party Categories	Accounts and Notes Payable December 31, 2019	December 31, 2018
TWNCAL	$ 48	86
JHCMC	138,722	108,294
Hitachi, Ltd.	39	5,387
Total	$ 138,809	113,767

(a) The Group purchases electrical parts from TWNCAL; purchases construction machinery such as crane, excavator and parts for repair and maintenance from JHCMC as well as purchases finished high-speed elevator and subsequent parts for repair and maintenance of Hitachi brand designated by customers from Hitachi, Ltd. (Note: the elevator attributed to Yungtay brand would never buy the related parts and components from Hitachi, Ltd.)

(b) Due to failing to purchase the same goods from non-related parties, there is no similar transaction with witch to compare for the purchases among the Group and related parties, all purchases transaction is conducted in accordance with the given purchase price and term. The payment terms for the purchases from related parties are not significantly different from those with third-party vendors, and payables are paid from 1 month to 4 months.

e. Others

Accounting Items	Related Party Categories	December 31, 2019	December 31, 2018
Other receivable	Evest	$ 181	195
Advances received	TWNCAL	$ -	528
Guarantee deposit received	Evest	$ 577	577

Accounting Items	Related Party Categories		December 31, 2019	December 31, 2018
Management expenses	TWNCAL	$	95	249
	JHCMC		-	132
	Total	$	95	381
Manufacturing overhead	TWNCAL	$	152	3
Maintenance cost	TWNCAL	$	651	395
Installations cost	TWNCAL	$	-	2
Finance cost	Evest	$	6	6
Other income	TWNCAL	$	528	528
	Evest		10	11
	JHCMC		1,400	1,341
	Total	$	1,938	1,880
General and administrative expenses-Donation	YSWF	$	4,200	2,100
	YECF		4,200	6,300
	Total	$	8,400	8,400

f. Property transactions: None.

g. Remuneration to directors and key management

Payment Item		Years Ended December 31 2019	2018
Short-term employee benefits	$	81,801	89,457
Post-employment benefits		12,617	322
Other long-term employee benefits		34	50
Total	$	94,452	89,829

8. Pledged (Mortgaged) assets

The Group provided the following assets as collaterals:

Item	Purpose		December 31, 2019	December 31, 2018
Current assets- refundable deposits (Restricted bank deposits)	Contract security deposits	$	133,075	121,528
Property, plant and equipment and investment properties -Land	Collateral for long -term bank loans (net yet revoked)		458,051	458,051
Property, plant and equipment and investment properties -Buildings	Collateral for long -term bank loans (net yet revoked)		12,909	17,664
Total		$	604,035	597,243

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The future lease payment under the non-cancellable operating lease are as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	-	8,499
Later than 1 year and not later than 5 years		-	7,358
Later than 5 years		-	-
Total	$	-	15,857

2019

The Company adopted IFRS 16 to lease arrangements since January 1, 2019. Related information please refer to Note 6(11) and Note 6(17).

2018

The above operating leases classified under profit or loss amounted to NT$60,863 thousand in 2018, respectively.

The lease of office was signed accompanied by the lease of land and building. Due to failing to transfer the title of land and rental, paid to the landlord, being increasing regularly up to the market level as well as the Group not bearing the residual value of the building, it is the landlord who resumes almost all the risks and returns of the building. Consequently, the Group affirms that the aforementioned lease is recognized as operating lease.

(2) Lessor's lease arrangements

The Group leased its investment properties by way of operating lease, please refer to Note 6(12). The future minimum lease receivable under the non-cancellable leasing period is as follows:

		December 31, 2019	December 31, 2018
Not later than 1 year	$	21,683	6,214
Later than 1 year and not later than 5 years		28,289	3,648
Later than 5 years		-	-
Total	$	49,972	9,862

(3) The amount of unused letters of credit: None.

(4) The Company and Yungtay Hitachi Construction Machinery Co., Ltd. received the downpayments and issued the secured promissory notes amounting to NT$144,069 thousand and NT$142,540 thousand as of December 31, 2019 and 2018, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

		December 31 2019	December 31 2018
Chang Hwa Bank - Chengtung Branch	$	23,571	35,467
Mizuho Bank – Taipei Branch		19,243	2,005
Mega Bank – Chungshan Branch		12,424	6,479
Total	$	55,238	43,951

(6) Yungtay Elevator (China) got the comprehensive credit line of US$6,000 thousand from Mizuho Corporate bank Ltd. (China), among which the balance of the opened and unused letters of credit was NT$0 as of December 31, 2019 and 2018, respectively.

(7) Responding to the needs of the clients with whom the Company has provided the specific elevators of the brand of non-Yungtay, the Company has entered into co-operation contracts with Hitachi, Ltd. as follows:

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
1.	Sep. 30, 2019 ~Sep. 29, 2024	Providing the related techniques of elevator the installation of elevator and escalator, adjustment, and check, maintenance quality assurance and remote monitoring dignosis.	Pays US$50 per elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
2.	June 1, 2015 ~May 31, 2020	High-speed inverter control elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and the royalty be paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
3.	May 22, 2017 ~May 21, 2022	Machine-roomless elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and paid in all once a year, and paid within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.
4.	May 22, 2017 ~May 21, 2022	Large-scale freight elevator	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

No. of contract	Contract period	Technical cooperation products	Technical compensation fee
5.	Nov. 1, 2016 ~Oct. 31, 2021	High-speed inverter control elevator (HVF3 Votage type)	When the contract remains in full force, the Company should pay US$300 on disposal of each elevator or another way to sell each elevator, and be paid in all once a year, within 4 months after closing accounts on Dec. 31 every year and within 4 months after the contract is expired.

The technical compensation fees, accounted for as expenses in 2019 and 2018, respectively, and calculated in accordance with the above co-operation contracts were as follows:

	Years Ended December 31	
	2019	2018
No. of contract	Amount	Amount
1	$ 44	794
2	261	759
3	-	-
4	-	-
5	-	89
Total	$ 305	1,642

The amounts and ratio of the Company's elevators sold in 2019 and 2018, respectively, by the category of brand were as follows:

	Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
Brand-Yungtay	2,246,699	100.00	2,444,066	98.89
Brand-Hitachi	-	-	27,391	1.11

(8) Major contracts of property, plant and equipment-construction in progress:

Year	Major Construction Item	Total Contract Price
2019	Yungtay Elevator (China)	
	‧ Interior construction of 5^{th} and 6^{th} floor of employees' dormitory	RMB 5,300 thousand
	‧ Civil work of escalator plant A	RMB 5,300 thousand
	‧ Interior construction of 7^{th} floor of employees' dormitory	RMB 970 thousand
	‧ Interior construction of escalator plant A	RMB 910 thousand
		(Total equivalent to NT$54,642 thousand)
2018	None.	

(9) Yungtay Hitachi Construction Machinery Co., Ltd. ("YHCMC") sold one crane (SCX 2800-2) to customer named Kuan Zon Construction Co., Ltd. This transaction dispute lawsuit was in relation to goods with the total price of JP¥ 180,000,000 (equivalent to NT$70,562,700). The verdict of Taiwan Supreme Court to this case was to confirm that this sales transaction did exisit effectively and that it was not necessary to return the consideration. YHCMC reversed the account of allowance for inventory decline loss amounting to NT$40,000,000 and the account of allowance for sales returns amounting to NT$63,000,000. In the meantime, the inventory in transit was transferred to cost of goods sold amounting to NT$63,000,000. The payment for goods has been collected without mistake.

10. <u>Significant loss from disaster</u>: None.

11. <u>Significant subsequent events</u>:

Due to the spreading of novel coronavirus (COVID-19) and in response to take necessary precautions in Mainland China to extend Lunar New Year holidays, the Company's subsidiaries and associates in China have to postpone their business. As at the reporting date of 2019 the Company's financial reports, in spite that most employees of the Company's subsidiaries and associates have returned to work, the related loss which is most likely to happen, resulting from the infection of COVID-19, is still not able to be estimated reasonably.

12. Others

(1) Financial instruments

a. Categories of financial instruments

		December 31 2019	December 31 2018
Financial assets			
FVTPL-current	$	791,342	529,668
FVTOCI-current and non-current		181,252	173,980
Cash and cash equivalents		3,903,861	3,875,535
Notes and accounts receivable (including related party)		3,632,477	3,679,784
Other receivables		62,103	8,736
Refundable deposits		312,729	300,211
Other non-current assets-long-term notes receivable		17,221	22,029
Other non-current assets-others (preferred stock-golf certificate)		5,520	5,520
Financial liabilities			
FVTPL-current	$	4,445	-
Notes and accounts payable (including related party)		2,238,574	2,032,069
Other payables		912,611	856,354
Lease liabilities		36,871	-
Current income tax liabilities		133,816	233,190
Net defined benefit liabilities-non-current		330,698	513,522
Guarantee deposits received		205,572	118,298

b. Credit risk

(a) Exposure of credit risk

The Group's mainly potentially credit risk arises principally from cash and receivables from customers. Cash deposits in different financial institution. The Group has controlled the exposure to the credit risk of every financial institution, and cash would not have significant concentration of credit risk. Receivables are in the normal collection period, which have been assessed to provide appropriate loss allowance rate and assessed to be adequate for the loss allowance periodically. Consequently, there is no significant credit risk for cash and receivables.

The Group's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2019 and 2018, the accounts receivable of selling elevators accounted for 97.76% and 98.50% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The Group adopts the policy of the collection agreed and the contract signed individually to the sale of elevator, and the resulting accounts receivable bears no interest. The policy the Group adopts that only the counterparty whose credit rating is up to the level of investment is qualify to do the transaction with the Group, and if necessary, upon the Group's request, the full guarantee is required to mitigate the resulting risk of financial loss on account of delinquency. The Group will utilize other publicly available financial information and historical transaction records to give credit-rating to major customers. The Group keeps on monitoring credit exposure and the credit-rating of counterparty. Besides, the financial division would review and approve the line of credit of counterpart to manage the credit exposure.

To alleviate the credit risk, the management of the Group assigns ad hoc group who is in charge of the decision of line of credit, credit approval and other monitoring procedures to ensure that the recovery of overdue receivables has been taken proper action.

Other than this, the Group would review the recovery amount of accounts receivable one by one on balance sheet sheet day to make sure that the appropriate impairment loss has been provided for the uncoverable receivables. Consequently, the Company's management has considered that the Group's credit risk has been significantly reduced.

The Group has adopted the simplified method of IFRS 9, i.e. the loss allowance for accounts receivable is recognized at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are computed using provision matrix, which measures costomer's past default record, current financial position, industrial economic situation and also measures forecast of GDP and industrial outlook as well. From the historical experience of the Group's credit loss, there is no significant difference for the loss type resulting from different customers' group.

Thus, the provision matrix is not further identified different customers' group and instead sets up the rate of expected credit loss by overdue days of accounts receivable.

If there is any indication that the counterparty is facing serious financial difficulty and his recoverable amount can not be reasonably predicted, the Group will write-off the relevant accounts receivable. Nevertheless, the recourse activities will continue, and the recoverable amount due to recourse would be recognized in profit or loss.

c. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Group manages its liquidity risk by maintaining adequate cash and cash equivalent.

December 31, 2019		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	310,154	310,154	310,154	-	-
Accounts payable		1,928,420	1,928,420	1,928,420	-	-
Other payables		912,611	912,611	912,611	-	-
Lease liatilities		36,871	36,871	18,056	18,715	100

December 31, 2018		Carrying Amount	Contract Cash Flows	Less Than 1 Year	1~2 Years	2~Years
Non-derivative financial liabilities						
Notes payable	$	332,280	332,280	332,280	-	-
Accounts payable		1,699,789	1,699,789	1,699,789	-	-
Other payables		856,354	856,354	856,354	-	-

d. Exchange rate risk

· The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2019			
Financial asset			
Monetary items			
USD	3,133	29.93	93,776
JPY	31,369	0.274	8,595

RMB	2,778	4.280	11,890
HKD	213	3.891	829
EUR	-	33.39	-
Financial liabilities			
Monetary items			
USD	1,150	30.03	34,542
JPY	17,220	0.278	4,789

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
December 31, 2018			
Financial asset			
Monetary items			
USD	4,670	30.665	143,205
JPY	156,205	0.2762	43,144
RMB	2,299	4.447	10,222
HKD	51	3.891	198
EUR	-	35	-
Financial liabilities			
Monetary items			
USD	714	30.765	21,965

· Sensitivity analysis

	Years Ended December 31	
	2019	2018
(Loss)/profit of 1% change		
USD	$ 592	1,212
JPY	38	431
RMB	119	102
HKD	8	2
EUR	-	-

e. The Group has loan limit from bank, but there is no loan at all as of December 31, 2019. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at FVTPL				
Fund investments	$ 791,342	-	-	791,342
Forward exchange contracts	$ -	(4,445)	-	(4,445)
Financial assets at FVTOCI				
Domestic listed equity investments	$ 93,765	-	-	93,765
Domestic and foreign unlisted equity investments	$ -	-	87,487	87,487

		December 31, 2018			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Financial assets at FVTPL					
Fund investments	$	522,920	-	-	522,920
Forward exchange contracts	$	-	6,748	-	6,748
Financial assets at FVTOCI					
Domestic listed equity investments	$	86,156	-	-	86,156
Domestic and foreign unlisted equity investments	$	-	-	87,824	87,824

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2019 and 2018, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2018 were as follows:

		2019	2018
Balance at January 1	$	87,824	88,932
Proceeds from return of capital of investments-decrease of capital		(337)	(1,108)
Balance at December 31	$	87,487	87,824
Unrealized other gain (loss) for the current period	$	-	-

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

2019.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.83~1.8 as at December 31, 2019)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (15%~19% as at December 31, 2019)	· The higher the discount for lack of marketability, the lower the fair value;

2018.12.31

Item	Valuation techniques	Significant unobservable inputs	Relationship of input to fair value
Non-derivative equity instruments:			
Unlisted shares	Market comparative companies	· Price to net worth multiple (0.9~1.05 as at December 31, 2018)	· The higher the multiplier, the higher the fair value;
		· Discount for lack of marketability (20%~30% as at December 31, 2018)	· The higher the discount for lack of marketability, the lower the fair value;

(iii) Sensitivity analysis in changes of significant unobservable inputs:

The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
December 31, 2019				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,015	(5,015)

	Input	Change	Recognized in other comprehensive income	
			Favorable change	Unfavorable change
December 31, 2018				
Financial assets				
Equity instrument	Discount for lack of marketability	±5%	5,597	(5,597)

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

(2) Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The Board's policy is to maintain profound capital base so as to preserve the confidence of investor, creditor and market and to sustain the future development of the business. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The rate of return on capital (excluding interest expense) of the Group was 22.88% and 16.43% in 2019 and 2018, respectively. The ratio of net liabilities to total equity (leverage ratio) on the reporting day in 2019 and 2018, respectively, was as follows:

		December 31 2019	December 31 2018
Total liabilities	$	10,242,803	10,178,455
Less: cash and cash equivalents		(3,903,861)	(3,875,535)
Net liabilities	$	6,338,942	6,302,920
Total equity	$	11,425,345	11,471,589
Ratio of net liabilities divided by total equity (Leverage ratio)		55.48%	54.94%

The Group's approach of capital management has not changed as of December 31, 2019.

13. Additional disclosures

Intercompany balance and significant transactions, directly or indirectly, between the Group and its investees in Mainland China, which are subsidiaries or associates, have been eliminated upon consolidation.

(1) Significant transactions and (2) Related information of reinvestments:

a. Financings provided: Please see Table 1 attached;

b. Endorsement/guarantee provided: Please see Table 2 attached;

c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please see Table 4 attached;

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

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

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;

i. Information about the derivative financial instruments transaction: Please see Notes 6(2);

j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 7 attached;

k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 8 attached.

(3) Information on investment in Mainland China

a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 9 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7 attached.

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands) (Note 4)	Ending Balance (Foreign Currencies in Thousands) (Note 2 & 4)	Amount Actually Drawn (Foreign Currencies in Thousands)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)
													Item	Value		
1	Yungtay Elevator Equipment (China) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 50,000 Thousand (NT$ 229,595 Thousand)	RMB 50,000 Thousand (NT$ 214,515 Thousand)	RMB 50,000 Thousand (NT$ 214,515 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand
2	Yungtay Elevator Installation Maintenance (Shanghai) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 45,000 Thousand (NT$ 206,636 Thousand)	RMB 30,000 Thousand (NT$ 128,709 Thousand)	RMB 30,000 Thousand (NT$ 128,709 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand
2	Yungtay Elevator Equipment (Tianjin) Co.	Yungtay elevator equipment (Sichuan) Co.	Other Receivables	Yes	RMB 40,000 Thousand (NT$ 183,676 Thousand)	RMB 40,000 Thousand (NT$ 171,612 Thousand)	RMB 40,000 Thousand (NT$ 171,612 Thousand)	1.5%	Short-term financing	-	The need for operation	-	-	-	NT$ 898,834 thousand	NT$ 4,494,168 thousand

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 3: When there is a lending for funding needs, among the subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount available for lending purpose shall not exceed 40% of the net worth of the Company and financing limits for each borrowing company shall not exceed 20% of the total financing amounts limits.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT$ against US$ in 2019, respectively.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 2

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period (Note 3 & 4)	Ending Balance (Note 3 & 4)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Equipment (Tianjin) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,745,140 thousand)	RMB 20,000 thousand (NT$ 91,838 thousand)	RMB 20,000 thousand (NT$ 85,806 thousand)	-	None	0.76	Not exceeding 1/2 of the net equity of the Company (NT$5,617,710 thousand)	No	No	Yes
1	Yungtay Elevator Equipment (China) Co.	Yungtay Elevator Installation Maintenance (Shanghai) Co.	2	Not exceeding 1/3 of the net equity of the Company (NT$3,745,140 thousand)	RMB 20,000 thousand (NT$ 91,838 thousand)	RMB 20,000 thousand (NT$ 85,806 thousand)	RMB 30 thousand (NT$ 128 thousand)	None	0.76	Not exceeding 1/2 of the net equity of the Company (NT$5,617,710 thousand)	No	No	Yes

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

(1) The Company is filled in No.0.

(2) The Subsidiaries are numbered in order starting from No.1.

Note 2: No.2 represents that the endorser / guarantor parent company owns directly 50% voting shares of the endorsed / guaranteed subsidiary.

Note 3: The amounts approved by the Board of Directors.

Note 4: The maximum balance and ending balance shown in the above table adopted the maximum and ending foreign exchange rate of NT$ against US$ in 2019, respectively

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

TABLE 3

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2019			
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	Listed stock-O Commercial Bank	Non-related party	Financial assets at FVTPL-current	3,015,000	23,547	0.12%	23,547
	Beneficiary certificate-ETF, CFA 50	"	"	30,000	661	-	661
	Jih Sun Money Market Fund	"	"	3,368,478	50,115	-	50,115
	Franklin Templeton SinoAm Money Market Fund	"	"	4,858,378	50,426	-	50,426
	TSITC Taiwan Money Market Fund	"	"	3,279,334	50,380	-	50,380
	Mega Diamond Money Market Fund	"	"	3,978,833	50,098	-	50,098
	Taishin 1699 Money Market Fund	"	"	3,704,829	50,327	-	50,327
	Yuanta De-Li Money Market Fund	"	"	3,055,189	50,013	-	50,013
	Prudential Financial Money Market Fund	"	"	3,151,314	50,048	-	50,048
	KGI Victory Money Market Fund	"	"	4,306,706	50,058	-	50,058
	Fubon Chi-Hsiang Money Market Fund	"	"	6,356,353	100,076	-	100,076
	TCB Taiwan Money Market Fund	"	"	4,907,831	50,051	-	50,051
	UPAMC James Bond Money Market Fund	"	"	2,982,795	50,046	-	50,046
	SinoPac TWD Money Market Fund	"	"	3,580,226	50,031	-	50,031
	The RSIT Enhanced Money Market Fund	"	"	4,164,133	50,022	-	50,022
	Shin-Kong Chi-Shin Money Market Fund	"	"	3,217,131	50,005	-	50,005
	UPAMC Global AIOT Fund TWD	"	"	20,000	6,363	-	6,363
	Prudential Financial US Investment Grade Corporate Bond Fund	"	"	30,000	9,075	-	9,075
	Listed stock-O Commercial Bank	"	Equity instruments investments at FVTOCI-current	10,769,539	84,110	0.45%	84,110
	Unlisted stock-Addcn Technology Co. Ltd.	"	Equity instruments investments at FVTOCI-non-current	148,000	2,265	18.50%	2,265
	Unlisted stock-Asia Hitachi Elevator	"	"	6,760	78,169	10.00%	78,169
	Unlisted stock-King's World Investment Co., Ltd.	"	"	21,090	900	0.03%	900
	Unlisted stock-TwNat Joint Venture Investment Co., Ltd.	"	"	812,693	4,115	6.82%	4,115
	Unlisted stock-Ultralife Taiwan Inc.	"	"	11,361,946	-	5.85%	-
Yungjiun Investment Co., Ltd	Listed stock-The Company	Parent company	Treasury stock	2,129,800	136,946	0.52%	136,946
	Listed stock-China Metal Products Co., Ltd.	Non-related party	Equity instruments investments at FVTOCI-non-current	308,000	9,655	0.08%	9,655
	Unlisted stock-Digitimes Inc.	"	"	78,750	2,038	0.42%	2,038
	Unlisted stock-Ultra Life Taiwan Inc.	"	"	900,000	-	0.46%	-

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars / Foreign Currencies, Unless Specified Otherwise)

TABLE 4

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Shares/ Units (In Thousands)	Amount	Carrying Value	Gain on Disposal (Note)	Shares	Amount
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Shanghai Pudong Development Bank (SPDB)	None	-	-	-	183,500RMB (NT$ 787,270 thousand)	-	186,131RMB (NT$ 814,956 thousand)	183,500RMB (NT$ 803,436 thousand)	2,631RMB (NT$ 11,520 thousand)	-	-
Yungtay Elevator Equipment (China) Co.	Structured financing products	Financial assets at FVTPL-current	Industrial and Commercial Bank of China	None	-	-	-	260,000RMB (NT$ 1,115,478 thousand)	-	262,129RMB (NT$ 1,147,705 thousand)	260,000RMB (NT$ 1,138,384 thousand)	2,129RMB (NT$ 9,321 thousand)	-	-

Note: The structured financing products refer to the products with guaranteed profits purchased from the aforesaid banks, which promise the buyer to earn the interest income, i.e. gain on disposal of the aforementioned structured financing products, with guaranteed principal.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 5

Company Name	Related Party	Nature of Relationships	Transaction Details				Transaction with different trading condition		Accounts Payable		Footnote (Note 2)
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yungtay Hitachi Construction Machinery Co., Ltd.	Japan Hitachi Construction Machinery Co., Ltd.	Investee of investing co. accounted for using equity method	Purchases	520,777	8.78%	4~6Months after the goods were delivered	Note 1	Note 1	138,722	7.19%	-

Note 1: The purchase term of Yungtay Hitachi Construction Machinery Co., Ltd. to ordinary customers and related parties, please refer to Note 7(2).d.

Note 2: If there is any advances received (or payment), please describe the reason, the specified term of the contract, amount and any difference from the common transaction type in the footnote.

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

TABLE 6

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period (Note)	Allowance for Bad Debts
					Amount	Action Taken		
Yungtay Elevator Equipment (Tianjin) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	936,402	1	-	-	210,225	-
Yungtay Elevator Equipment (Sichuan) Co.	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	162,632	5	-	-	101,680	-
Jiyi Electric Co. (Shanghai, China)	Yungtay Elevator Equipment (China) Co.	Parent Company and subsidiary	224,934	-	-	-	175,279	-

Note : Amounts received as of February 20, 2020.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

TABLE 7

No. (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions					
				Financial Statements Account	Amount(Note 3)		Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 4)	
					2019	2018		2019	2018
0	The Company	Yungtay Elevator Equipment (China) Co.	1	Net revenue from sale of goods	$ 2,458	$ 2,096	Sale based on cost plus 20%	0.02%	0.01%
				Accounts receivable	$ 417	$ 835	Collection term of 1~5 months	-	-
				Purchases	$ 215,441	$ 273,101	Uncomparable	1.57%	1.84%
				Accounts payable	$ 46,502	$ 43,596	Payment term of 2~3 months after delivered per import declaration	0.21%	0.20%
		Jiyi Electric Co. (Shanghai, China)	1	Net revenue from sale of goods	-	-	Sale based on cost plus 20%	-	-
				Purchases	$ 3	-	Uncomparable	-	-
1	Yungtay Elevator Equipment (China) Co.	Jiyi Electric Co. (Shanghai, China)	3	Net revenue from sale of goods	$ 28,968	-	Sale based on cost plus 3%	0.21%	-
				Accounts receivable	$ 24,111	-	Collection term of 1~4 months	0.11%	-
				Purchases	$ 318,968	-	Uncomparable	2.33%	-
				Accounts payable	$ 224,934	-	Negotiated adjustment based on the Group's funds dispatching	1.04%	-
		Yungtay Elevator Equipment (Tianjin) Co.	3	Net revenue from sale of goods	$ 87,681	$ 56,673	Sale based on cost plus 6%	0.64%	0.38%
				Accounts receivable	$ 1,926	$ 1,546	Collection term of 1~6 months	0.01%	0.01%
				Purchases	$ 1,006,829	$ 841,070	Based on cost plus 12%	7.34%	5.66%
				Accounts payable	$ 936,402	$ 800,906	30 days after delivered	4.32%	3.70%
		Yungtay Elevator Equipment (Sichuan) Co.	3	Net revenue from sale of goods	$ 20,441	$ 33,471	Sale based on cost plus 5%	0.15%	0.23%
				Accounts receivable	$ 769	$ 4,029	Collection term of 1 months	0.00%	0.02%
				Purchases	$ 691,705	$ 624,904	Uncomparable	5.04%	4.21%
				Accounts payable	$ 162,632	$ 115,413	Negotiated adjustment based on the Group's funds dispatching	0.75%	0.53%

Note 1: No.0 is for the parent company. Subsidiaries are numbered in order starting from No.1.

Note 2: No.1 represents the transactions from parent company to subsidiary, No.2 represents the transactions from subsidiary company to parent, and No.3 represents the transactions between subsidiaries.

Note 3: Unrealized intercompany gain under the downstream transactions of the sales to sub-subsidiary company from parent was NT$582 thousand and NT$605 thousand in 2019 and 2018, respectively. Unrealized intercompany gain under the upstream transactions of the purchases from sub-subsidiary to parent was NT$3,549 thousand and NT$6,002 thousand in 2019 and 2018, respectively.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 8

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2019			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Share of Profits/Losses of Investee (Note 3) (Foreign Currencies in Thousands)	Note
				December 31, 2019 (Foreign Currencies in Thousands)	December 31, 2018 (Foreign Currencies in Thousands)	Shares	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)			
The Company	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) Co.	US$ 11,100 NT$ 296,939 (Note 1)	US$ 11,100 NT$ 296,939 (Note 1)	11,183,510	78.72%	US$ 192,035 NT$5,747,566	US$ -5,160 (NT$-156,330)	US$ -3,980 (NT$-120,610)	Subsidiary, including net realized profit margin of NT$2,453 thousand of intercompany's upstream transaction
	Better Win Investment Co. (SAMOA)	Level 2, Lotemau Centre Vaea Stre et, Apia Samoa	Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) (Note 2)	US$ 33,500 NT$1,045,647 (Note 1)	US$ 33,500 NT$1,045,647 (Note 1)	33,500,000	100.00%	US$ 52,156 NT$1,561,040	US$ -1,097 (NT$ -33,239)	US$ -1,097 (NT$ -33,239)	
	Taiwan Calsonic Co., Ltd.	9F, No.99 Fu-Hsin N. Rd. Taipei	Car cooler sales, installation and after-Service and etc.	156,943	156,943	12,900,000	20.16%	200,986	-175,443	-55,370	Associate
	Yungjiun Investment Co., Ltd.	11F, No.99 Fu-Hsin N. Rd. Taipei	Investment	85,000	85,000	8,500,000	100.00%	20,712	-3,803	-31	Subsidiary. The Company's share aquired by subsidiary is accounted for under treasury stock.
	Hitachi Construction Machinery Co., Ltd.	10F, No.99 Fu-Hsin N. Rd. Taipei	Agent for the trading of domestic and foreign construction machinery	65,280	65,280	6,528,000	51.00%	197,677	81,185	41,404	Subsidiary
	Evest Corporation	10F, No.99 Fu-Hsin N. Rd. Taipei	SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment	614,666	614,666	7,007,172	41.22%	131,448	49,674	20,475	Associate
Better Win Investment Co.	Yungtay Engineering Co. (HK)	54F, Hopewell centre, 183 queen's road east, Hong Kong	Indirectly investing in Yungtay Elevator Equipment (China) (Note 2)	US$ 33,297	US$ 33,297	3,022,570	21.28%	US$ 51,949 NT$1,554,829	US$ -5,160 (NT$-156,330)	US$ -1,098 (NT$ -33,267)	The Company reinvests sub-subsidiary (HK Yungtay) thru subsidiary (Better Win Co.)

Note 1: Investments of foreign currency are converted into investments of New Taiwan Dollars at the historical exchange rate.

Note 2: Indirect investments to Mainland China from investing company were disclosed at Table 9.

Note 3: The effect of unrealized profit or loss of intercompany's transaction has been considered while recognized the share of profit or loss of the investee companies during the period.

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

TABLE 9

Investee in mainland China	Main Businesses Activities	Total Amount of Paid-in Capital (Note 6 and Note 7)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (Note 7)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (US$ in Thousands) (Note 7)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses
					Remitted to Mainland China	Remitted back to Taiwan				
Yungtay Elevator Equipment (China) Co.	Manufacturing, Sale of elevator and escalator and related accessories	US$ 56,000 thousand (NT$1,566,971 thousand)	(Note 1) (Note 3)	US$ 5,702 thousand (NT$121,979 thousand)	-	-	US$ 5,702 thousand (NT$121,979 thousand)	RMB (36,125) thousand (NT$(158,169) thousand) (Note 4)	100.00%	(158,169) thousand (Note 4)
Yungtay Elevator Equipment (Tianjin) Co.	"	RMB 200,000 thousand (NT$907,680 thousand)	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Tianjin) Co.	"	RMB 3,500 thousand (NT$15,505 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Installation Maintenance (Shanghai) Co.	"	RMB 20,000 thousand (NT$95,197 thousand)	(Note 2)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Yungtay Elevator Equipment (Sichuan) Co.	"	RMB 152,000 thousand (NT$736,573 thousand	(Note 2) (Note 6)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)
Jiyi Electric Co. (Shanghai, China)	"	RMB 109,000 thousand (NT$523,370 thousand	(Note 2) (Note 3)	-	-	-	-	- (Note 4)	100.00%	- (Note 4)

Investee Company in Mainland China	Carrying Amount of investments in Mainland China as of December 31, 2019 (Note 7)	Accumulated Amount of Investment Income remitted back to Taiwan as of December 31, 2019	Accumulated Amount remitted from Taiwan to Mainland China as of December 31, 2019	Investment Amounts approved by Investment Commission, MOEA (Note 7)	Ceiling of investment in Mainland China imposed by Investment Commission, MOEA (Note 8)	
Yungtay Elevator Equipment (China) Co.	7,196,040 thousand	US$5,398 thousand and RMB289,621 Thousand (NT$1,569,843 thousand)	121,979 thousand	293,208 thousand	Investee Co. invested directly by Yungtay (HK)	6,741,251 thousand
Yungtay Elevator Equipment (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Installation Maintenance (Tianjin) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (Tianjin) with its own capital	
Yungtay Elevator Installation Maintenance (Shanghai) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Yungtay Elevator Equipment (Sichuan) Co.	-	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	
Jiyi Electric Co. (Shanghai, China)	- (Note 3)	-	-	-	Investee Co. invested directly by Yungtay (China) with its own capital	

Note 1: Investment in Mainland China through companies registered in a third region.

Note 2: Direct investment in Mainland China through an existing company incorporated in Mainland China.

Note 3: Yungtay Elevator (China) intended to merge Jiyi Electric Co. (Shanghai, China), that was resolved by the board of director of Yungtay Elevator (China), and the merger date was scheduled on Dec. 31, 2017. Due to complying with the company's operating needs in the third quarter, 2019, the aforesaid merger agreement was no longer to be executed. Yungtay Elevator (China) is still the parent company of Jiyi Electric Co. (Shanghai, China), which is 100% owned by Yungtay Elevator (China).

Note 4: The recognition basis of investment income or loss was calculated based on the financial statements audited by Taiwan parent company's CPA. The sub-subsidiary-Yungtay Elevator (China) recognized the share of profit (loss) of sub-subsidiaries-Tianjin yungtay, Shanghai Yuintay Installation & Maintenance, Shanghai Jiyi, Vietnam Yungtay, Sichuan Yungtay which are all 100% owned by Yungtay Elevator (China), and recognized the share of profit (loss) of sub-sub-sub-subsidiary- Tianjin Yungtay Installation & Maintenance, which is 100% owned by Sub-Sub-Subsidiary-Tianjin Yungtay. Tianjin Yungtay Installation & Maintenance has been liquidated in November, 2019.

Note 5: The Company owned 74% of Yungtay Elevator (China) through H.K. Yungtay, 78.72% ownership of Yungtay Elevator (China) was held by the Company after the transfer of shares in 2008, and the total ownership of Yungtay Elevator (China) is 100%, together with subsidiary-Better Win Investment Co. which holds 21.28% ownership of Yungtay Elevator (China).

Note 6: (1) Jianjn Yungtay has increased capital in cash in March, 2013, amounting to RMB 50,000 thousand, and the paid-in capital has been RMB 200,000 thousand in 2019, which has been held 100% ownership by Yungtay Elevator (China).

(2) Sichuan Yungtay, incorporated on June 28, 2013, invested by Yungtay Elevator (China), which the registered and paid-in capital has been RMB 150,000 thousand. On account of Chengdu Yungtay which was merged with Sichuan Yungtay and was soon liquidated, the paid-in capital of Sichuan Yungtay has been RMB 152,000 thousand, which is 100% owned by Yungtay Elevator (China).

Note 7: The carrying amount of ending investment was translated into NT$ from US$ at the banking transaction exchange rate at the balance sheet date, and the investment amounts was translated at the exchange rate of original investment.

Note 8: The limitation pursuant to "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China" is 60% of net worth or consolidated net assets, whichever is higher.

14. Operating segments information

(1) The Group has 7 reportable segments: Taiwan elevator, Mainland elevator, Taiwan elevator maintenance and repair, Mainland elevator maintenance and repair, electric engine, construction machinery (including maintenance) and other segment.

The Group uses the income/loss from operations before income tax as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

(2) The Group's reportable revenue, profit or loss, assets and liabilities were summarized as follows:

Year ended December 31, 2019 (Amounts in Thousands of NT$)

	Taiwan Elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:									
Revenue other than parent co. and consolidated subsidiaries	$ 3,014,750	5,555,989	2,894,073	1,347,309	-	880,753	25,474	-	13,718,348
Revenue from parent co. and consolidated subsidiaries	2,459	236,496	34	-	329,867	-	5,467	(574,323)	-
Total revenue	$ 3,017,209	5,792,485	2,894,107	1,347,309	329,867	880,753	30,941	(574,323)	13,718,348
Total segment gross profit	$ 348,038	795,090	1,569,969	371,026	26,110	166,358	25,178	(34,391)	3,267,378
Interest income	-	58,531	-	-	-	2,841	7,022	-	68,394
Interest expense	-	791	-	-	-	-	172	-	963
Depreciation and amortization	31,474	296,826	20,551	11,290	16,747	1,947	19,452	-	398,287
Share of profits of associates	-	-	-	-	-	-	(14,895)	-	(14,895)
Disposal of noncurrent assets held for sale	-	259,938	-	-	-	-	-	-	259,938
Other significant non-cash items: none	-	-	-	-	-	-	-	-	-
Segment profit/loss	$ 106,413	(442,206)	1,162,056	151,829	3,297	98,451	166,800	(1,483)	1,245,157
Total assets of segment	$ 2,247,145	11,268,111	660,124	1,198,836	1,262,051	619,250	13,684,789	(9,272,158)	21,668,148
Total liabilities of segment	$ 2,188,719	5,655,807	331,110	430,082	336,583	231,646	1,118,113	(49,257)	10,242,803

Year ended December 31, 2018 (Amounts in Thousands of NT$)

		Taiwan Elevator	Mainland Elevator	Taiwan Elevator Maintenance and Repair	Mainland Elevator Maintenance and Repair	Electric Engine	Construction Machinery (including maintenance)	Other Segment	Adjustment and Elimination	Consolidation
Revenu:										
Revenue other than parent co. and consolidated subsidiaries	$	3,167,331	6,695,874	2,740,657	1,337,744	-	892,335	24,687	-	14,858,628
Revenue from parent co. and consolidated subsidiaries		2,096	273,101	34	-	-	-	5,466	(280,697)	-
Total revenue	$	3,169,427	6,968,975	2,740,691	1,337,744	-	892,335	30,153	(280,697)	14,858,628
Total segment gross profit	$	356,808	1,008,419	1,441,329	411,330	-	194,118	24,451	(717)	3,435,738
Interest income		-	54,856	-	-	-	3,338	5,441	-	63,635
Interest expense		-	-	-	-	-	-	105	-	105
Depreciation and amortization		39,668	329,260	8,876	1,190	-	2,022	17,644	-	398,660
Share of profits of associates		-	-	-	-	-	-	8,566	-	8,566
Other significant non-cash items:		-	-	-	-	-	-	-	-	-
Segment profit/loss	$	120,453	(306,086)	1,055,172	112,040	-	135,788	35,865	(98,563)	1,054,669
Total assets of segment	$	2,402,745	13,109,840	645,841	1,047,038	-	565,430	13,675,708	(9,796,558)	21,650,044
Total liabilities of segment	$	2,050,567	5,965,673	317,345	424,945	-	206,668	1,258,630	(45,373)	10,178,455

(3) Geographic information

Net Revenue from External:

		Customers	
		Years Ended December 31	
		2019	2018
Taiwan	$	6,815,050	6,825,010
Mainland China		6,903,298	8,033,618
Total	$	13,718,348	14,858,628

Non-current Assets:

		December 31 2019	December 31 2018
Taiwan	$	2,396,849	2,420,011
Mainland China		3,828,928	4,228,489
Total	$	6,225,777	6,648,500

The Group categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other non-current assets.

(4) Major customers information

The revenue of major customer was not accounted for 10% of the total revenue in 2019 and 2018, respectively.