Sonix Technology Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of Sonix Technology Co., Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sonix Technology Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

SONIX TECHNOLOGY CO., LTD.

By

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CHEN XIAN CHE
Chairman

March 13, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sonix Technology Co., Ltd.

Opinion

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

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 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 and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Occurrence of Revenue

The Group's operating income is significant because its revenue mainly comes from transactions generated from R&D, design, manufacturing and sales of voice controllers, microcontrollers, video/image controllers, wireless multimedia, optical identification and so on. Due to variation in transactions, sales revenue may be recognized before the fulfilling the requirements of IAS regulations on revenue recognition, which can have a significant impact to the financial statements of the Groups. Thus, we identified the occurrence of revenue to be a key audit matter.

We performed the following main audit procedures for the occurrence of revenue:

1. We understood and tested the design and operating effectiveness of the key controls with regard to the occurrence of revenue.

2. We sent confirmations to verify the balance of the accounts receivable and performed alternative procedures which included the verification of source documents and inspecting the status of the collections on which confirmations were not replied to us during our audit.

3. We took samples from sales details, and we checked the original documents such as customer orders, sales orders, and invoices to confirm for any abnormalities with regard to the occurrence of revenue.

Other Matter

The financial statements of Paradigm Venture Capital Company, an associate of the Company, which were accounted for under the equity method, were audited by other auditors. Therefore, the amounts within the accompanying consolidated financial statements for the aforementioned investments accounted for under the equity method as well as the gains and losses and relevant information are based solely on the report from other auditors. The aforementioned investments accounted for under the equity method amounted to NT$7,836 thousand and NT$8,901 thousand, representing 0.22% and 0.25% of the Group's consolidated total assets, as of December 31 2019 and 2018, respectively. The related share of the comprehensive income (loss) from the aforementioned investments accounted for under the equity method amounted to NT$(66) thousand and NT$15 thousand, representing (0.02%) and 0.01% of the Group's consolidated comprehensive income for the years ended December 31, 2019 and 2018, respectively.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group'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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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 regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Tung-Feng Lee and Ching Ting Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 2020

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 724,611	20	$ 792,348	23
Financial assets at fair value through profit or loss - current (Note 4)	128,242	4	177,359	5
Financial assets at amortized cost - current (Notes 4, 8 and 27)	293,495	8	189,562	6
Notes and trade receivables from unrelated parties (Notes 4, 9 and 26)	405,982	11	387,784	11
Inventories (Notes 4, 5 and 10)	668,976	18	567,435	16
Other current assets	59,128	2	43,448	1
Total current assets	2,280,434	63	2,157,936	62
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	346,200	9	274,951	8
Investments accounted for using equity method (Notes 4 and 12)	7,836	-	8,901	-
Property, plant and equipment (Notes 4, 13 and 27)	756,572	21	397,779	11
Investment properties (Notes 4 and 14)	128,477	4	160,196	5
Intangible assets (Notes 4 and 15)	56,365	2	59,928	2
Deferred tax assets (Notes 4 and 21)	36,471	1	34,664	1
Prepayment for buildings and land - for operating purpose (Note 16)	-	-	397,580	11
Refundable deposits	5,508	-	6,244	-
Other non-current assets	18,963	-	84	-
Total non-current assets	1,356,392	37	1,340,327	38
TOTAL	$ 3,636,826	100	$ 3,498,263	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables to unrelated parties	$ 243,840	7	$ 181,234	5
Other payables (Note 17)	218,413	6	208,420	6
Current tax liabilities (Note 21)	37,433	1	39,427	1
Other current liabilities	19,671	-	11,748	-
Total current liabilities	519,357	14	440,829	12
NON-CURRENT LIABILITIES				
Provisions - non-current (Note 4)	8,572	-	6,145	-
Deferred tax liabilities (Notes 4 and 21)	10	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	24,137	1	27,099	1
Guarantee deposits	74,546	2	61,793	2
Total non-current liabilities	107,265	3	95,037	3
Total liabilities	626,622	17	535,866	15
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	1,678,770	46	1,678,770	48
Capital surplus	62,661	2	62,661	2
Retained earnings				
Legal reserve	869,185	24	936,044	27
Special reserve	121,110	3	21,894	-
Unappropriated earnings	345,547	10	383,910	11
Total retained earnings	1,335,842	37	1,341,848	38
Other equity	(67,069)	(2)	(120,882)	(3)
Total equity attributable to owners of the Company	3,010,204	83	2,962,397	85
Total equity	3,010,204	83	2,962,397	85
TOTAL	$ 3,636,826	100	$ 3,498,263	100

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

(With Deloitte & Touche auditors' report dated March 13, 2020)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 26)				
Sales	$ 3,234,503	100	$ 3,157,555	100
OPERATING COSTS (Notes 10 and 20)				
Cost of goods sold	1,945,279	60	1,939,870	61
GROSS PROFIT	1,289,224	40	1,217,685	39
OPERATING EXPENSES (Notes 9, 15, 18, 20 and 26)				
Sales and marketing expenses	73,051	2	73,692	2
General and administrative expenses	153,388	5	153,229	5
Research and development expenses	700,909	22	708,093	23
Expected credit gain	(331)	-	(82)	-
Total operating expenses	927,017	29	934,932	30
PROFIT FROM OPERATIONS	362,207	11	282,753	9
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 26)	39,486	1	48,763	2
Other gains and losses (Notes 20 and 28)	(6,391)	-	70,683	2
Share of profit or loss of associates and joint ventures (Notes 4 and 12)	(66)	-	15	-
Total non-operating income and expenses	33,029	1	119,461	4
PROFIT BEFORE INCOME TAX	395,236	12	402,214	13
INCOME TAX EXPENSE (Notes 4 and 21)	53,714	2	63,542	2
NET PROFIT FOR THE YEAR	341,522	10	338,672	11
OTHER COMPREHENSIVE INCOME AND LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	2,070	-	(508)	-

(Continued)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	86,024	3	(36,743)	(1)
Share of the other comprehensive income (loss) of associated accounted for using the equity method	(999)	-	3,682	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	(414)	-	247	-
	86,681	3	(33,322)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(31,212)	(1)	(23,733)	(1)
Other comprehensive income (loss) for the year, net of income tax	55,469	2	(57,055)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 396,991	12	$ 281,617	9
EARNINGS PER SHARE (Note 22)				
From continuing and discontinued operations				
Basic	$ 2.03		$ 2.02	
Diluted	$ 2.00		$ 1.98	

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

(With Deloitte & Touche auditors' report dated March 13, 2020) (Concluded)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
								Other Equity				
	Share Capital			Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				Total	Total Equity
BALANCE AT JANUARY 1, 2018	167,877	$ 1,678,770	$ 62,661	$ 952,614	$ 18,081	$ 242,135	$ 1,212,830	$ (19,302)	$ (2,364)	$ -	$ (21,666)	$ 2,932,595
Effect of retrospective application	-	-	-	-	-	42,422	42,422	-	2,364	(44,786)	(42,422)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	167,877	1,678,770	62,661	952,614	18,081	284,557	1,255,252	(19,302)	-	(44,786)	(64,088)	2,932,595
Appropriation of 2017 earnings												
Legal reserve	-	-	-	23,720	-	(23,720)	-	-	-	-	-	-
Special reserve	-	-	-	-	3,813	(3,813)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(211,525)	(211,525)	-	-	-	-	(211,525)
Issuance of share dividends from legal reserve	-	-	-	(40,290)	-	-	(40,290)	-	-	-	-	(40,290)
Net profit for the year ended December 31, 2018	-	-	-	-	-	338,672	338,672	-	-	-	-	338,672
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(261)	(261)	(23,733)	-	(33,061)	(56,794)	(57,055)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	338,411	338,411	(23,733)	-	(33,061)	(56,794)	281,617
BALANCE AT DECEMBER 31, 2018	167,877	1,678,770	62,661	936,044	21,894	383,910	1,341,848	(43,035)	-	(77,847)	(120,882)	2,962,397
Appropriation of 2018 earnings												
Legal reserve	-	-	-	33,867	-	(33,867)	-	-	-	-	-	-
Special reserve	-	-	-	-	99,216	(99,216)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(248,458)	(248,458)	-	-	-	-	(248,458)
Issuance of share dividends from legal reserve	-	-	-	(100,726)	-	-	(100,726)	-	-	-	-	(100,726)
Net profit for the year ended December 31, 2019	-	-	-	-	-	341,522	341,522	-	-	-	-	341,522
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	1,656	1,656	(31,212)	-	85,025	53,813	55,469
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	343,178	343,178	(31,212)	-	85,025	53,813	396,991
BALANCE AT DECEMBER 31, 2019	167,877	$ 1,678,770	$ 62,661	$ 869,185	$ 121,110	$ 345,547	$ 1,335,842	$ (74,247)	$ -	$ 7,178	$ (67,069)	$ 3,010,204

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

(With Deloitte & Touche auditors' report dated March 13, 2020)

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	$ 395,236	$ 402,214
Adjustments for:		
Depreciation expenses	59,773	62,930
Amortization expenses	17,308	19,724
Expected credit loss reversed on trade receivables	(331)	(82)
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(2,397)	2,933
Interest income	(8,609)	(9,012)
Dividend income	(8,546)	(2,849)
Share of (profit) loss of associates and joint ventures	66	(15)
(Gain) loss on disposal of property, plant and equipment	103	(8,464)
Gain on disposal of investment properties	(7,669)	-
Gain on disposal of subsidiary	-	(45,199)
Price reduction of inventories	1,518	13,731
Net loss on foreign currency exchange	100	1,359
Changes in operating assets and liabilities		
Notes and trade receivables	(21,866)	21,028
Inventories	(102,867)	18,470
Other current assets	(16,765)	2,346
Trade payables	64,462	(82,042)
Other payables	10,951	(10,981)
Provisions for employee benefits	2,427	(323)
Other current liabilities	7,973	27,139
Net defined benefit liability	(892)	(900)
Cash generated from operations	389,975	412,007
Interest received	9,429	11,531
Dividends received	22,788	2,849
Income tax paid	(57,853)	(57,041)
Net cash generated from operating activities	364,339	369,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(311,915)
Purchase of financial assets at amortized cost	(104,968)	-
Proceeds from sale of financial assets at amortized cost	-	746,944
Purchase of financial assets at fair value through profit or loss	(100,000)	(90,000)
Proceeds from sale of financial assets at fair value through profit or loss	151,514	-
Proceeds from disposal of subsidiary	-	12,547
Return of capital reduction from investees under equity method	-	601
Payments for property, plant and equipment	(52,728)	(40,467)
Proceeds from disposal of property, plant and equipment	14	11,573
Increase in refundable deposits	-	(244)

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SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	**2018**
Decrease in refundable deposits	492	-
Payments for intangible assets	(13,853)	(36,714)
Proceeds from disposal of investment properties	35,978	-
Increase in other non-current assets	(18,879)	(84)
Increase in prepayment for buildings and land - for operating purpose	-	(397,580)
Net cash used in investing activities	(102,430)	(105,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	15,356	4,676
Dividends paid to owners of the Company	(349,184)	(251,815)
Net cash used in financing activities	(333,828)	(247,139)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	4,182	(22,744)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(67,737)	(5,876)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	792,348	798,224
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 724,611	$ 792,348

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

(With Deloitte & Touche auditors' report dated March 13, 2020) (Concluded)

1. GENERAL INFORMATION

Sonix Technology Co., Ltd. (the "Company") was incorporated in the Republic of China (ROC) in July 1996. The Company mainly develops, designs, manufactures and trades semiconductors.

The Company's shares have been listed on the Taipei Exchange since November 2000.

The consolidated financial statements for the Company and its subsidiaries (collectively, the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on March 13, 2020.

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

a. 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, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, 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 did not have material impact on the Group's accounting policies:

1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes 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.

<u>Definition of a lease</u>

The Group elects to apply 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.

<u>The Group as lessee</u>

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. 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; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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, the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

<u>The Group as lessor</u>

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarified that IFRS 9 "Financial Instruments" shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture and are governed by IFRS 9 "Financial Instruments", the Group, based on the facts and circumstances that exist on January 1, 2019, performed an assessment of the classification under IFRS 9 applied retrospectively.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

   The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

   The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

   The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

   The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the 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.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11 and Tables 5 and 6 for the detailed information of subsidiaries, including the percentage of ownership and main business.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of 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 associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount 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 on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured 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.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity 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 issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

  Revenue from the sale of goods comes from sales of consumer IC and multimedia IC. Sales of consumer IC and multimedia IC are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

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

n. Leases

2019

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

1) 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 (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

   When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) 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, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments 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.

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.

1) The Group as lessor

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

2) The Group as lessee

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liabilities (assets)) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, unused loss carryforwards and unused tax credits for research and development expenditures 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 subsidiaries and associates and interests in joint ventures, 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 and interests are recognized only 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 period in which the liabilities are settled or the assets are 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.

3) Current and deferred taxes

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations 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 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 period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Write-down of Inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 148	$ 412
Checking accounts and demand deposits	459,020	591,990
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	109,160	98,500
Repurchase agreements collateralized by bonds	156,283	101,446
	$ 724,611	$ 792,348

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Bank balance	0.001%-0.48%	0.01%-0.48%
Time deposits with original maturities of less than 3 months	0.6%-2%	0.60%-0.65%
Repurchase agreements collateralized by bonds	2.3%-2.5%	2%-2.5%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	**2018**
Non-current		
Domestic investments		
Listed shares		
Ordinary shares - Champion Microelectronic Corp.	$ 333,274	$ 261,492
Unlisted shares		
Ordinary shares - Ours Technology Inc.	34	34
Foreign investments		
Unlisted company		
Shenzhen YSX Electronics Co., Ltd.	12,892	13,425
	$ 346,200	$ 274,951

These investments are held for medium to long-term 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 Group's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Current		
Domestic investments		
Time deposits with original maturity of more than 3 months (a)	$ 261,027	$ 187,016
Foreign investments		
Time deposits with original maturity of more than 3 months (a)	32,468	2,546
	$ 293,495	$ 189,562

a. The interest rates for time deposits with original maturity of more than 3 months were 0.79%-2.05% and 1.01%-1.75% as of December 31, 2019 and 2018, respectively.

b. Refer to Note 27 for information relating to investments in financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2019	2018
Notes receivable	$ 1,316	$ 1,311
Trade receivables		
At amortized cost		
Gross carrying amount	$ 408,599	$ 390,737
Less: Allowance for impairment loss	(3,933)	(4,264)
	$ 404,666	$ 386,473

Trade Receivables

The average credit period of sales of goods was 60 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

December 31, 2019

	Less than 60 Days	61 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate	0%	2.44%	100%	100%	-
Gross carrying amount	$ 391,600	$ 13,393	$ 36	$ 3,570	$ 408,599
Loss allowance (Lifetime ECLs)	-	(327)	(36)	(3,570)	(3,933)
Amortized cost	$ 391,600	$ 13,066	$ -	$ -	$ 404,666

December 31, 2018

	Less than 60 Days	61 to 91 Days	Over 180 Days	Total
Expected credit loss rate	0%	1.70%	100%	-
Gross carrying amount	$ 365,962	$ 20,865	$ 3,910	$ 390,737
Loss allowance (Lifetime ECLs)	-	(354)	(3,910)	(4,264)
Amortized cost	$ 365,962	$ 20,511	$ -	$ 386,473

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 4,264	$ 4,346
Less: Net remeasurement of loss allowance	(331)	(82)
Balance at December 31	$ 3,933	$ 4,264

10. INVENTORIES

	December 31	
	2019	2018
Inventory in transit	$ 1,422	$ 1,285
Finished goods	157,160	153,404
Work in progress	356,905	302,950
Raw materials	153,489	109,796
	$ 668,976	$ 567,435

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $1,945,279 thousand and $1,939,870 thousand, respectively.

The cost of goods sold for the years ended December 31, 2019 and 2018 included reversals of inventory write-downs of $12,893 thousand and $12,476 thousand and obsolescence loss of $14,411 thousand and $26,207 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in consolidated financial statements are shown below:

			% of Ownership December 31		
Investor	**Investee**	**Nature of Activities**	**2019**	**2018**	**Remarks**
Sonix Technology Company Limited	Sonix Semiconductor BVI	Investment	100.00	100.00	
	Jian Mou Investment Company Limited	Investment	100.00	100.00	
	Sonix Technology K.K.	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	100.00	100.00	
Sonix Semiconductor BVI	Sonix Holding	Investment	100.00	100.00	
Sonix Holding	Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00	
	Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	100.00	100.00	
Sonix Technology (Shenzhen) Co., Ltd.	Shenzhen Yudi Digital Media Co., Ltd.	Internet of things, multimedia technical development and technical consultation services	-	-	*

* On August 7, 2018, the Company's board of directors resolved the disposal of Shenzhen Yudi Digital Media Co., Ltd. 100% acquisition and the disposal was completed in August 2018, and the disposal proceeds were all received.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	**2018**
Investments in associates	$ 7,836	$ 8,901

Paradigm Venture Capital Corporation, an investee under the equity method, reduced capital in order to cover accumulated deficits by withdrawing shares on July 31, 2018 of $601 thousand. The shares withdrawn for the capital reduction were all received.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 were based on the associates' financial statements audited by the auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Office Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2018	$ 110,984	$ 347,285	$ 144,399	$ 210,208	$ 812,876
Additions	-	-	15,791	24,676	40,467
Disposals	-	(4,572)	(1,015)	(109)	(5,696)
Retirements	-	-	(24,566)	-	(24,566)
Disposal of subsidiary	-	-	(2,321)	-	(2,321)
Effects of foreign currency exchange differences	-	(1,278)	(258)	(39)	(1,575)
Balance at December 31, 2018	$ 110,984	$ 341,435	$ 132,030	$ 234,736	$ 819,185
Accumulated depreciation					
Balance at January 1, 2018	$ -	$ 88,932	$ 126,004	$ 176,034	$ 390,970
Depreciation expenses	-	8,845	12,502	38,617	59,964
Disposals	-	(1,529)	(1,010)	(48)	(2,587)
Retirements	-	-	(24,566)	-	(24,566)
Disposal of subsidiary	-	-	(1,560)	-	(1,560)
Effects of foreign currency exchange differences	-	(611)	(194)	(10)	(815)
Balance at December 31, 2018	$ -	$ 95,637	$ 111,176	$ 214,593	$ 421,406
Carrying amounts at December 31, 2018	$ 110,984	$ 245,798	$ 20,854	$ 20,143	$ 397,779
Cost					
Balance at January 1, 2019	$ 110,984	$ 341,435	$ 132,030	$ 234,736	$ 819,185
Additions	-	-	10,318	42,410	52,728
Disposals	-	(164)	(4,231)	(24,145)	(28,540)
Reclassified	-	379,788	-	-	379,788
Effects of foreign currency exchange differences	-	(18,377)	(613)	(93)	(19,083)
Balance at December 31, 2019	$ 110,984	$ 702,682	$ 137,504	$ 252,908	$1,204,078
Accumulated depreciation					
Balance at January 1, 2019	$ -	$ 95,637	$ 111,176	$ 214,593	$ 421,406
Depreciation expenses	-	20,029	10,568	26,260	56,857
Disposals	-	(164)	(4,114)	(24,145)	(28,423)
Effects of foreign currency exchange differences	-	(1,816)	(478)	(40)	(2,334)
Balance at December 31, 2019	$ -	$ 113,686	$ 117,152	$ 216,668	$ 447,506
Carrying amounts at December 31, 2019	$ 110,984	$ 588,996	$ 20,352	$ 36,240	$ 756,572

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	20-50 years
Renovation equipment	2-20 years
Office equipment	2-5 years
Other equipment	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

14. INVESTMENT PROPERTIES

	Amount
Cost	
Balance at January 1, 2018	$ 204,433
Effects of foreign currency exchange differences	(577)
Balance at December 31, 2018	$ 203,856
Accumulated depreciation	
Balance at January 1, 2018	$ 41,026
Depreciation expenses	2,966
Effects of foreign currency exchange differences	(332)
Balance at December 31, 2018	$ 43,660
Carrying amounts at December 31, 2018	$ 160,196
Cost	
Balance at January 1, 2019	$ 203,856
Disposals	(33,987)
Effects of foreign currency exchange differences	(1,297)
Balance at December 31, 2019	$ 168,572
Accumulated depreciation	
Balance at January 1, 2019	$ 43,660
Depreciation expenses	2,916
Disposals	(5,678)
Effects of foreign currency exchange differences	(803)
Balance at December 31, 2019	$ 40,095
Carrying amounts at December 31, 2019	$ 128,477

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 8,985
Year 2	4,823
Year 3	2,901
	$ 16,709

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 8,890
Later than 1 year and not later than 3 years	8,327
	$ 17,217

The investment properties are depreciated using the straight-line method over 20 and 50 years.

The determination of fair value was performed by independent qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The significant unobservable inputs used include discount rates and capitalization rates and the fair value as appraised.

Fair value	$ 140,896
Capitalization rates	2.60%

All of the Group's investment properties were held under freehold interests.

15. INTANGIBLE ASSETS

	Computer Software	Patents	Total
Cost			
Balance at January 1, 2018	$ 242,953	$ 77,284	$ 320,237
Additions	4,932	31,782	36,714
Disposal of subsidiary	(120)	(1,445)	(1,565)
Effects of foreign currency exchange differences	(96)	1	(95)
Balance at December 31, 2018	$ 247,669	$ 107,622	$ 355,291

(Continued)

	Computer Software	Patents	Total
Accumulated amortization			
Balance at January 1, 2018	$ 225,305	$ 50,634	$ 275,939
Amortization expenses	6,569	13,155	19,724
Disposal of subsidiary	(49)	(215)	(264)
Effects of foreign currency exchange differences	(36)	-	(36)
Balance at December 31, 2018	$ 231,789	$ 63,574	$ 295,363
Carrying amounts at December 31, 2018	$ 15,880	$ 44,048	$ 59,928
Cost			
Balance at January 1, 2019	$ 247,669	$ 107,622	$ 355,291
Additions	4,875	8,978	13,853
Effects of foreign currency exchange differences	(236)	-	(236)
Balance at December 31, 2019	$ 252,308	$ 116,600	$ 368,908
Accumulated amortization			
Balance at January 1, 2019	$ 231,789	$ 63,574	$ 295,363
Amortization expenses	6,802	10,506	17,308
Effects of foreign currency exchange differences	(128)	-	(128)
Balance at December 31, 2019	$ 238,463	$ 74,080	$ 312,543
Carrying amounts at December 31, 2019	$ 13,845	$ 42,520	$ 56,365

(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Patents	1-10 years

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
General and administrative expenses	$ 53	$ 42
Research and development expenses	17,255	19,682
	$ 17,308	$ 19,724

16. PREPAYMENT FOR BUILDINGS AND LAND

Sonix Technology (Shenzhen) Co., Ltd. purchased Zhongliang Ziyun Building located at Xinan Street. The total purchase price was NT$385,777 thousand and the acquisition cost was NT$11,803 thousand. The transfer of ownership was completed in January 2019 and the balance was paid off.

17. OTHER PAYABLES

	December 31	
	2019	2018
Other payables		
Payables for salaries or bonuses	$ 154,815	$ 152,108
Payables for professional service fees	35,318	26,346
Others	28,280	29,966
	$ 218,413	$ 208,420

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in Japan and China are members of a state-managed retirement benefit plan operated by the governments of Japan and China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund 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 one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 65,476	$ 65,385
Fair value of plan assets	(41,339)	(38,286)
Net defined benefit liability	$ 24,137	$ 27,099

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	$ 62,945	$ (35,454)	$ 27,491
Service cost			
Current service cost	149	-	149
Net interest expense (income)	866	(497)	369
Recognized in profit or loss	1,015	(497)	518
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(917)	(917)
Actuarial (gain) loss - changes in demographic assumptions	2,234	-	2,234
Actuarial (gain) loss - changes in financial assumptions	1,954	-	1,954
Actuarial (gain) loss - experience adjustments	(2,763)	-	(2,763)
Recognized in other comprehensive income	1,425	(917)	508
Contributions from the employer	-	(1,418)	(1,418)
Balance at December 31, 2018	$ 65,385	$ (38,286)	$ 27,099
Balance at January 1, 2019	$ 65,385	$ (38,286)	$ 27,099
Service cost			
Current service cost	149	-	149
Net interest expense (income)	736	(438)	298
Recognized in profit or loss	885	(438)	447
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,276)	(1,276)
Actuarial (gain) loss - changes in demographic assumptions	166	-	166
Actuarial (gain) loss - changes in financial assumptions	1,027	-	1,027
Actuarial (gain) loss - experience adjustments	(1,987)	-	(1,987)
Recognized in other comprehensive income	(794)	(1,276)	(2,070)
Contributions from the employer	-	(1,339)	(1,339)
Balance at December 31, 2019	$ 65,476	$ (41,339)	$ 24,137

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Sales and marketing expenses	$ 19	$ 23
General and administrative expenses	86	96
Research and development expenses	342	399
	$ 447	$ 518

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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	**2018**
Discount rate(s)	0.750%	1.125%
Expected rate(s) of salary increase	4.000%	4.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (1,871)	$ (2,005)
0.25% decrease	$ 1,948	$ 2,091
Expected rate(s) of salary increase		
0.25% increase	$ 1,858	$ 1,998
0.25% decrease	$ (1,795)	$ (1,927)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 1,339	$ 1,418
Average duration of the defined benefit obligation	18.5 years	17.6 years

19. EQUITY

a. Share capital

	December 31	
	2019	2018
Number of shares authorized (in thousands)	250,000	250,000
Shares authorized	$ 2,500,000	$ 2,500,000
Number of shares issued and fully paid (in thousands)	167,877	167,877
Shares issued	$ 1,678,770	$ 1,678,770

b. Capital surplus

The capital surplus balance amount remained unchanged in the year of 2019 and 2018.

Any capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 20,f.

The Company distributes share dividends and cash dividends after taking into account its future business needs and long term financial plan and provided that the ratio for share dividend shall not exceed 50% of the total distribution. The distribution of profits may also be made by way of share or cash dividends. The appropriation for cash dividend should not be less than 10% of the annual dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 14, 2019 and June 15, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 33,867	$ 23,720
Special reserve	$ 99,216	$ 3,813
Cash dividends	$ 248,458	$ 211,525
Cash dividends per share (NT$)	$ 1.48	$ 1.26

The Company's shareholders also resolved to issue cash dividends from legal reserve of $100,726 thousand and $40,290 thousand in the shareholders' meeting on June 14, 2019 and June 15, 2018, respectively.

The appropriation of earnings for 2019 which were proposed by the Company's board of directors on March 13, 2020 were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 34,152
Cash dividends	$ 352,542
Cash dividends per share (NT$)	$2.1

The appropriation of earnings for 2019 included the reversal of equity deductions from 2018. Thus, a special reserve of $53,813 thousand from prior year was revolved to unappropriated earnings.

The appropriation of earnings for 2019 is subject to resolution of the shareholders' meeting to be held on June 16, 2020.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (43,035)	$ (19,302)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(31,212)	(23,733)
Balance at December 31	$ (74,247)	$ (43,035)

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IAS 39	$ -	$ -
Adjustment on initial application of IFRS 9	-	(44,786)
Balance at January 1 per IFRS 9	(77,847)	(44,786)
Recognized for the year		
Unrealized gain/(loss) - equity instruments	86,024	(36,743)
Share from associates accounted for using the equity method	(999)	3,682
Balance at December 31	$ 7,178	$ (77,847)

20. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income		
Investment properties	$ 7,078	$ 5,035
Interest income	8,609	9,012
Dividends	8,546	2,849
Others	15,253	31,867
	$ 39,486	$ 48,763

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Fair value changes of financial assets		
Financial assets designated as at FVTPL	$ 2,397	$ (2,933)
Gain on disposal of subsidiary	-	45,199
Net foreign exchange gains/(losses)	(15,092)	23,531
Gain/(loss) on disposal of property, plant and equipment	(103)	8,464
Gain on disposal of investment properties	7,669	-
Others	(1,262)	(3,578)
	$ (6,391)	$ 70,683

c. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 56,857	$ 59,964
Investment properties	2,916	2,966
Intangible assets	17,308	19,724
	$ 77,081	$ 82,654
An analysis of depreciation by function		
Operating costs	$ 18,535	$ 32,052
Operating expenses	38,322	27,912
Non-operating income and expenses*	2,916	2,966
	$ 59,773	$ 62,930
An analysis of amortization by function		
Operating costs	$ 17,308	$ 19,724

* The depreciation expense above includes rent revenue and other expenditures in non-operating income and expenses.

d. Depreciation expenses directly related to investment properties

	For the Year Ended December 31	
	2019	2018
Direct depreciation expenses from investment properties generating rental income	$ 2,078	$ 1,609
Direct depreciation expenses from investment properties not generating rental income	838	1,357
	$ 2,916	$ 2,966

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	$ 29,427	$ 30,727
Defined benefit plans (see Note 18)	447	518
	29,874	31,245
Other employee benefits	635,104	643,232
Total employee benefits expense	$ 664,978	$ 674,477
An analysis of employee benefits expense by function		
Operating expenses	$ 664,978	$ 674,477

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 13, 2020 and March 20, 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	14.85%	14.48%
Remuneration of directors and supervisors	1.40%	1.36%

Amount

	For the Year Ended December 31			
	2019		**2018**	
	Cash	**Shares**	**Cash**	**Shares**
Employees' compensation	$ 70,150	$ -	$ 69,250	$ -
Remuneration of directors and supervisors	6,600	-	6,500	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 30,295	$ 47,139
Foreign exchange losses	(45,387)	(23,608)
	$ (15,092)	$ 23,531

21. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current period	$ 71,083	$ 66,887
Adjustments for prior periods	(15,110)	25
Deferred tax		
In respect of the current period	(2,259)	2,052
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(5,422)
Income tax expense recognized in profit or loss	$ 53,714	$ 63,542

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	**2018**
Income tax expense calculated at the statutory rate	$ 88,740	$ 95,915
Nondeductible expenses in determining taxable income	(3,594)	(21,931)
Tax-exempt income	(1,589)	-
Unrecognized deductible temporary differences	(7,345)	(12,902)
Unrecognized loss carryforwards	(9,670)	7,270
Adjustments for prior years' tax	(15,110)	25
Effects of different tax rates of group entities operating in other jurisdictions	687	587
Land value increment tax	1,595	-
Effect of tax rate changes	-	(5,422)
Income tax expense recognized in profit or loss	$ 53,714	$ 63,542

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

In 2017, Sonix Technology (Shenzhen) Co., Ltd. have obtained the "China High and New Tech Enterprises Certification", which applies the enterprise's income tax rate of 15%. The certification had expired in October 2018, and the tax rate increased from 15% to 25%. The new tax rate is applicable in 2018, and the effect of tax rate changes was recognized in income tax expense.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate	$ -	$ 349
In respect of the current year		
Remeasurement on defined benefit plans	(414)	(102)
Total income tax recognized in other comprehensive income	$ (414)	$ 247

c. Current tax liabilities

The current tax liabilities for December 31, 2019 and 2018 are income taxes payable.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	$ 15,730	$ (2,489)	$ -	$ (48)	$ 13,193
Provisions	1,229	485	-	-	1,714
Capitalized expenses	1,560	(324)	-	-	1,236
Unappropriated earnings of subsidiaries	11,369	3,068	-	-	14,437
Pension limits	2,373	(179)	-	-	2,194
Unrealized impaired losses	182	1,708	-	-	1,890
Others	2,221	-	(414)	-	1,807
	$ 34,664	$ 2,269	$ (414)	$ (48)	$ 36,471

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Unrealized interest income	$ -	$ 10	$ -	$ -	$ 10

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences					
Loss on inventories	$ 15,295	$ 449	$ -	$ (14)	$ 15,730
Provisions	1,099	130	-	-	1,229
Capitalized expenses	2,389	(829)	-	-	1,560
Unappropriated earnings of subsidiaries	7,237	4,132	-	-	11,369
Pension limits	2,170	203	-	-	2,373
Unrealized impaired losses	903	(721)	-	-	182
Others	1,974	-	247		2,221
	$ 31,067	$ 3,364	$ 247	$ (14)	$ 34,664

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Unrealized interest income	$ 6	$ (6)	$ -	$ -	$ -

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2019	December 31 2018
Loss carryforwards		
Expiry in 2019	$ -	$ 60,787
Expiry in 2020	29,593	31,510
Expiry in 2021	28,417	50,745
Expiry in 2022	19,642	27,153
Expiry in 2023	74,732	30,260
Expiry in 2024	1,337	1,337
Expiry in 2025	3,153	3,153
Expiry in 2026	1,222	1,222
Expiry in 2027	181	181
Expiry in 2028	1,693	1,693
Expiry in 2029	3,614	-
	$ 163,584	$ 208,041
Deductible temporary differences		
Others	$ 226,009	$ 262,681

f. Information about unused loss carryforwards

As of December 31, 2019, loss carryforwards comprised:

Unused Amount	Expiry Year
$ 7,397	2020
6,418	2021
4,888	2022
18,462	2023
232	2024
551	2025
220	2026
32	2027
305	2028
651	2029
$ 39,156	

g. Income tax assessments

The Company and its subsidiaries had their income taxes examined by the tax authorities at the following years:

	Year of Examination
The Company	2016
Jian Mou Investment Corporation	2017
Sonix Technology (Chengdu) Co., Ltd.	2018
Sonix Technology (Shenzhen) Co., Ltd.	2018

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	$ 341,522	$ 338,672

The weighted average number of ordinary shares outstanding (in thousands of shares is as follows):

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares in computation of basic earnings per share	167,877	167,877
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonus issue to employees	3,006	3,004
Weighted average number of ordinary shares used in the computation of diluted earnings per share	170,883	170,881

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. DISPOSAL OF SUBSIDIARIES

On August 30, 2018, the Group entered into a sale agreement to dispose of Shenzhen Yudi Digital Media Co., Ltd. The disposal was completed on August 30, 2018, on which dates control of Shenzhen Yudi Digital Media Co., Ltd. passed to the acquirer.

a. Consideration received from disposals

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received in cash and cash equivalents	$ 13,680

b. Analysis of assets and liabilities on the date control was lost

	Shenzhen Yudi Digital Media Co., Ltd.
Current assets	
Cash and cash equivalents	$ 1,133
Trade receivables	165
Inventories	324
Other current assets	5,641
Non-current assets	
Property, plant and equipment	761
Intangible assets	1,301
Refundable deposits	741
Current liabilities	
Payables	(2,301)
Other current liabilities	(39,284)
Net liabilities disposed of	$ (31,519)

c. Gain on disposals of subsidiaries

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received	$ 13,680
Net assets disposed of	(31,519)
Gain on disposals	$ 45,199

d. Net cash inflow on disposals of subsidiaries

	Shenzhen Yudi Digital Media Co., Ltd.
Consideration received in cash and cash equivalents	$ 13,680
Less: Cash and cash equivalent balances disposed of	1,133
	$ 12,547

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group monitors the funds by regularly examining the ratio of assets to debt. The capital in the Group is the total equity listed in the balance sheet also known as the amount of total assets deducted from the total debt.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

- Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 128,242	$ -	$ -	$ 128,242
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	$ 333,274	$ -	$ -	$ 333,274
Unlisted shares	-	-	34	34
Unlisted company	-	12,892	-	12,892
	$ 333,274	$ 12,892	$ 34	$ 346,200

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 177,359	$ -	$ -	$ 177,359
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares	$ 261,492	$ -	$ -	$ 261,492
Unlisted shares	-	-	34	34
Unlisted company	-	13,425	-	13,425
	$ 261,492	$ 13,425	$ 34	$ 274,951

There were no transfers between Levels 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at FVTPL		
Mutual funds	$ 128,242	$ 177,359
Financial assets at amortized cost (1)	1,424,088	1,369,694
Financial assets at FVTOCI		
Equity instruments	346,200	274,951
Financial liabilities		
Financial liabilities at amortized cost (2)	307,438	237,546

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables.

2) The balance includes financial liabilities measured at amortized cost, which comprise short-term bills payable and trade and other payables (excluding employment benefits).

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables and trade payables. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and market price risk (see (c) below).

There has been no changes to the Group's exposure to market risk or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and Sonix Technology (Shenzhen) Co., Ltd. have foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 58% of the Group's sales is denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst almost 67% of costs is denominated in currencies other that the functional currency of the entity in the Group.

It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximize the hedging effectiveness. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar and RMB (the functional currencies) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthens 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 5,233 (i)	$ 4,281 (i)	$ 258 (iii)	$ 276 (ii)

i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure outstanding on EUR receivables, which were not hedged at the end of the reporting period, and the changes in financial assets are measured at FVTPL.

iii. This was mainly the result of the changes in the financial assets are measured at amortized cost.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 385,771	$ 328,446
Cash flow interest rate risk		
Financial assets	542,188	572,828

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of each asset outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2018 would decrease/increase by $5,422 thousand and $5,728 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank savings and financial assets at amortized cost.

c) Other price risk

The Group was exposed to price risk through its investments in beneficiary certificates and equity securities. The investments are not held for trading purposes. The Group manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit or loss for years ended December 31, 2019 and 2018 would have increased/decreased by $1,282 thousand and $1,774 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $3,462 thousand and $2,750 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group only deals with creditworthy counterparties of financial institutions and entities that are rated the equivalent of investment grade and above. Therefore, there is no expected great credit risk.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group’s credit risk was significantly reduced.

The Group’s concentration of credit risk of 36% and 51% of total trade receivables as of December 31, 2019 and 2018, respectively, was related to the Group’s largest customer and the five largest customers within the business segment. The rest of the credit risk concentration of trade receivables are not comparatively significant.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The working capital of the Group is sufficient for its liabilities, and hence there’s no liquidity risk for not fulfilling contractual obligations due to a failure to raise funds.

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships

Related Parties	Relationship with the Company
Senno Technology Inc.	Have the same chairman (physical relationship)
Rayson Technology Co., Ltd.	Have the same chairman (physical relationship)
Digit Mobile Inc.	Have the same chairman (physical relationship)
Chip Integration Technology Co., Ltd.	Have the same chairman (physical relationship)
New Pocket Device Corp.	Have the same chairman and general manager (physical relationship)

b. Operating transactions

Line Item	Related Party Category	For the Year Ended December 31	
		2019	2018
Sales	Physical relationship		
	Others	$ 7,096	$ 9,923
Operating expenses			
Materials	Physical relationship		
	Others	$ -	$ 1
Miscellaneous expenses	Physical relationship		
	Others	27	27
		$ 27	$ 28

(Continued)

Line Item	Related Party Category	For the Year Ended December 31 2019	2018
Non-operating revenue	Physical relationship		
	Others	$ -	$ 146

(Concluded)

The sales prices and payment terms for related parties are similar with those of sales to third parties.

c. Receivables from related parties

Line Item	Related Party Category	For the Year Ended December 31 2019	2018
Accounts receivable	Physical relationship		
	Others	$ 465	$ 617

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

d. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 20,492	$ 20,137
Post-employment benefits	235	258
	$ 20,727	$ 20,395

The remuneration of directors and key executives was determined by the remuneration committee, was based on the performance of individuals and market trends.

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for short-term bank borrowings, purchases and tariffs of imported goods:

	December 31 2019	2018
Property, plant and equipment	$ 217,147	$ 220,689
Pledge deposits (classified as financial assets at amortized cost - current)	51,627	51,116
	$ 268,774	$ 271,805

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 27,307	29.93 (USD:NTD)	$ 817,299
USD	1,848	6.9762 (USD:RMB)	55,311
EUR	768	33.39 (EUR:NTD)	25,644
Financial liabilities			
Monetary items			
USD	6,903	30.03 (USD:NTD)	207,297
USD	4,798	6.9762 (USD:RMB)	144,084

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 21,210	30.665 (USD:NTD)	$ 650,405
USD	1,751	6.8632 (USD:RMB)	53,694
EUR	791	35 (EUR:NTD)	27,685
Financial liabilities			
Monetary items			
USD	4,618	30.765 (USD:NTD)	142,073
USD	4,404	6.8632 (USD:RMB)	135,489

The Group is mainly exposed to the U.S. dollar. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ (8,661)	1 (NTD:NTD)	$ 28,598
RMB	4.482 (RMB:NTD)	(6,431)	4.560 (RMB:NTD)	(5,067)
		$ (15,092)		$ 23,531

29. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 1)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 4)

11) Information on investees. (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 2, 3, 4 and 6)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the segment information of each project. The Company manufactured and sold semi-conductor products in the years ended December 31, 2019 and 2018, respectively. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were within the semi-conductor segment.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment Revenue for the Year Ended December 31		Segment Profit for the Year Ended December 31	
	2019	**2018**	**2019**	**2018**
Semi-conductor sector	$ 3,234,503	$ 3,157,555	$ 362,207	$ 282,753
Share of profits or losses of associates accounted for using the equity method			(66)	15
Interest revenue			8,609	9,012
Rent revenue			7,078	5,035
Dividends			8,546	2,849
Gains on disposal of investments			-	45,199
Gain or loss on financial assets at FVTPL			2,397	(2,933)
Gain or loss on disposal of property, plant and equipment			(103)	8,464
Gain on disposal of investment properties			7,669	-
Profits and losses on net exchange			(15,092)	23,531
Other income			15,253	31,867
Other expenditures			(1,262)	(3,578)
Profit before tax			$ 395,236	$ 402,214

Segment revenue reported above represent revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without a share of profits or losses of associates under the equity method, interest income, rent revenue, dividends, gains on disposal of investments, gain or loss on financial assets at FVTPL, gain or loss on disposal of property, plant and equipment, gain on disposal of investment properties, exchange gains or losses, other income, other expenditures and income tax expense. This was the measure reported to the chief operating decision-maker for the purpose of resource allocation and assessment of segment performance.

b. Total segment assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision-maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2019	2018
Semi-conductor segment	$ 74,165	$ 79,688

d. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	For the Year Ended December 31	
	2019	2018
Revenue from semi-conductors	$ 3,234,503	$ 3,157,555

e. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2019	2018
Taiwan	$ 2,036,504	$ 2,132,610
China	1,197,495	1,024,535
Others	504	410
	$ 3,234,503	$ 3,157,555

f. Information about major customers

Included in revenue arising from the semi-conductor sector of $3,234,503 thousand and $3,157,555 thousand in 2019 and 2018 respectively, is revenue of approximately $323,943 thousand and $377,640 thousand, which arose from sales to the Group's largest customer.

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 323,943	$ 377,640

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Sonix Technology Co., Ltd.	Shares							
	Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	54	$ 7	-	$ 7	1
	Muchip Corporation	-	Financial assets at fair value through other comprehensive income - non-current	14,180	-	-	-	1
	Champion Microelectronic Corp.	-	Financial assets at fair value through other comprehensive income - non-current	5,697,000	333,274	8.21	333,274	1
	Beneficiary certificates							
	Templeton Global Total Ret A Acc USD	-	Financial assets at fair value through profit or loss - current	29,951.693	26,938	-	26,938	1
	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss - current	4,162,216.3	60,315	-	60,315	1
Jian Mou Investment Corporation	Shares							
	Ours Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	115	27	-	27	1
	Beneficiary certificates							
	Jih Sun Asian High Yield Bond (TWD B)	-	Financial assets at fair value through profit or loss - current	1,307,168.12	16,582	-	16,582	1
	Jih Sun Target Income Fund of Funds TWD	-	Financial assets at fair value through profit or loss - current	1,500,000	14,175	-	14,175	1
	Nomura Global Short Duration Bond Fund TWD	-	Financial assets at fair value through profit or loss - current	946,781.42	10,232	-	10,232	1
Sonix Technology (Shenzhen) Co., Ltd.	Company							
	Shenzhen YSX Electronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	555,550	12,892	5	12,892	1

Note 1: There are measured at the fair value of net assets on December 31, 2019.

TABLE 2

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Subsidiary of second-tier subsidiary	Sale	$ (800,566)	(28)	110 days	$ -	-	$ 151,124	36	1
Sonix Technology (Shenzhen) Co., Ltd.	Sonix Technology Co., Ltd.	Parent company	Purchase	800,566	99	110 days	-	-	(151,124)	(96)	1

Note 1: Amount was eliminated based on the audited financial statements.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	Third-tier subsidiary	$ 151,124	5.80 times	$ -	-	$ 72,917	$ -

Note 1: The period is as of March 13, 2020.

Note 2: Amounts of trade receivables all were eliminated based on audited financial statements.

TABLE 4

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

No.	Investee Company	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	Sonix Technology Co., Ltd.	Sonix Technology (Shenzhen) Co., Ltd.	1	Trade receivables	$ 151,124	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	4
		Sonix Technology (Shenzhen) Co., Ltd.	1	Sales	800,566	The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.	25

Note 1: The following numerals represent the corresponding directional relationship:

a. Parent company to subsidiary: 1;
b. Subsidiary to parent company: 2; and
c. Between subsidiaries: 3.

Note 2: Amount was eliminated based on audited financial statements.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Original Investment Amount			Net Income (Loss) of the Investee (Note 1)	Share of Profit (Loss) (Note 1)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Sonix Technology Co., Ltd.	Sonix Technology Ltd.	PO Box 3321, Road Town, Tortola, the British Virgin Islands	Investment activities	$ 1,031,999	$ 1,031,999	33,010,000	100.00	$ 766,751	$ 40,408	$ 40,408	Subsidiary
	Jian Mou Investment Corporation	Hsin Chu	Investment activities	155,000	155,000	15,500,000	100.00	104,850	2,440	2,440	Subsidiary
	Sonix Technology K.K.	Tokyo	Design, development, after-sales service, wholesale of semi-conductor products and parts and related software and commission agency services	31,792	31,792	8,000	100.00	10,755	(3,736)	(3,736)	Subsidiary
Jian Mou Investment Corporation	Paradigm Venture Capital Corporation	Taipei	Investment activities	44,760	44,760	541,129	20.98	7,836	(313)	(66)	
Sonix Technology Ltd.	Sonix Holding Consolidated Company Co., Ltd.	PO Box 438, Road Town, Tortola, the British Virgin Islands	Investment activities	997,099	997,099	32,010,000	100.00	731,311	39,596	39,596	Second-tier subsidiary

Note 1: Based on audited financial statements of the investee and calculated at the investor’s holding proportion.

Note 2: Except profit and loss of Paradigm Venture Capital Corporation, the listed amounts above were all eliminated upon consolidation.

SONIX TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Loss (Note 1)	Carrying Amount as of December 31, 2019 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Sonix Technology (Chengdu) Co., Ltd.	Computer system integration and technical consultation services	$ 299,800 (US$ 10,000 thousand)	Reinvest in China via setting up company in third area	$ 299,800 (US$ 10,000 thousand)	$ -	$ -	$ 299,800 (US$ 10,000 thousand)	$ 55 (US$ 2 thousand)	100	$ 55 (US$ 2 thousand)	$ 72,032 (US$ 2,403 thousand)	$ -	
Sonix Technology (Shenzhen) Co., Ltd.	Computer system integration and technical consultation services	659,560 (US$ 22,000 thousand)	Reinvest in China via setting up company in third area	659,560 (US$ 22,000 thousand)	-	-	659,560 (US$ 22,000 thousand)	39,541 (US$ 1,279 thousand)	100	39,541 (US$ 1,279 thousand)	659,272 (US$ 21,990 thousand)	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$959,360 (US$32,000 thousand)	$1,004,330 (US$33,500 thousand)	$1,806,122

Note 1: Based on audited financial statements of the investee and calculated at the investor’s holding proportion.

Note 2: The investment profit and loss was recognized based on the average exchange rate from January 1, 2019 to December 31, 2019; the other accounts were all based on prevailing exchange rate as of December 31, 2019.

Note 3: The listed amounts above were all eliminated upon consolidation.