THINKING ELECTRONIC INDUSTRIAL 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 affiliates as of and for the year ended December 31, 2019, under the “Criteria Governing the 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 Standards No. 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Thinking Electronic Industrial Co., Ltd. and subsidiaries do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Thinking Electronic Industrial Co., Ltd.

By

____

Chen, Su-Ai
Chairman

March 23, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Thinking Electronic Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Thinking Electronic Industrial 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 (FSC) 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.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, the Group has applied the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC starting from 2019. Our opinion is not modified in respect of this matter.

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 matter of the Group's consolidated financial statements for the year ended December 31, 2019 is discussed as follows:

Revenue Recognition from Consignment Sales

As disclosed in Note 4 to the consolidated financial statements regarding accounting policy on revenue recognition, consignment is one of the important sales model of the Group. Due to the multiple locations of warehouses and different logistics and accounting management of each warehouse, the Group has to regularly inspect the actual consumption of consignment stock to recognize sales. As a result, the difficulty in applying proper accounting treatment for revenue recognition could lead to an increased risk of possible misstatements. We focused on whether the risks and rewards of goods had been transferred to the buyer after the consignment process to confirm the occurrence of the Group's sales revenue in the correct accounting period.

Our main audit procedures performed in response to the above key audit matter included the following:

1. We acquired the list of warehouses belonged to the Group, selected samples to understand the operations management of each warehouse, observed the sampling of consignment stock at the end of the year and performed stocktaking procedure.

2. We sample tested the consignment sales and tested the operating effectiveness of control activities related to logistics management and accounting treatments.

3. We verified the occurrence and cutoff of revenue recognition from consignment sales by examining actual consumption records, invoices, shipping orders and goods return documents.

Other Matter

We have also audited the parent company only financial statements of the Company for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with emphasis of matter paragraph and unmodified opinion, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 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 Jia-Ling Chiang and Chiu-Yen Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated financial performance and consolidated 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.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

	December 31, 2019		December 31, 2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,774,594	20	$ 1,832,903	22
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	1,239,151	14	575,197	7
Financial assets at amortized cost - current (Notes 4 and 8)	55,029	1	-	-
Notes receivable (Notes 10 and 31)	387,839	5	372,783	4
Accounts receivable, net (Notes 4, 5 and 10)	1,658,714	19	1,701,477	21
Other receivables	22,530	-	10,993	-
Current tax assets (Notes 4 and 26)	580	-	1,032	-
Inventories (Notes 4, 5 and 11)	822,298	9	963,510	12
Other financial assets - current (Notes 12 and 31)	28,196	-	111,292	1
Other current assets (Notes 3 and 17)	78,878	1	130,658	2
Total current assets	6,067,809	69	5,699,845	69
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	26,918	-	27,178	-
Property, plant and equipment (Notes 4, 14, 31 and 32)	2,031,402	23	2,023,901	25
Right-of-use assets (Notes 3, 4 and 15)	259,781	3	-	-
Investment properties (Notes 4 and 16)	58,804	1	63,483	1
Other intangible assets (Note 4)	44,884	1	34,354	-
Deferred tax assets (Notes 4 and 26)	132,248	2	99,769	1
Prepayments for equipment	75,731	1	122,267	2
Refundable deposits	5,828	-	6,852	-
Net defined benefit assets (Notes 4 and 22)	1,515	-	-	-
Other financial assets - non-current (Notes 12 and 31)	28,800	-	1,122	-
Long-term prepayment for lease (Notes 3 and 17)	-	-	155,106	2
Other non-current assets	16,795	-	12,070	-
Total non-current assets	2,682,706	31	2,546,102	31
TOTAL	$ 8,750,515	100	$ 8,245,947	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 31)	$ 104,302	1	$ 25,000	-
Notes payable (Note 19)	158,479	2	246,264	3
Accounts payable (Note 19)	375,274	5	389,406	5
Other payables (Notes 20 and 22)	427,248	5	479,526	6
Other payables to related parties (Note 30)	142	-	181	-
Current tax liabilities (Notes 4 and 26)	106,565	1	109,161	1
Lease liabilities - current (Notes 3, 4 and 15)	24,851	-	-	-
Long-term borrowings - current portion (Note 18)	-	-	50,000	1
Refund liabilities (Notes 4 and 21)	47,717	1	32,836	1
Other current liabilities	10,158	-	9,228	-
Total current liabilities	1,254,736	15	1,341,602	17
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	-	-	100,000	1
Deferred tax liabilities (Notes 4 and 26)	870,579	10	714,165	9
Lease liabilities - non-current (Notes 3, 4 and 15)	88,198	1	-	-
Deferred revenue - non-current	14,341	-	15,295	-
Net defined benefit liabilities (Notes 4 and 22)	-	-	6,712	-
Guarantee deposits received	2,503	-	3,240	-
Other non-current liabilities	5,175	-	5,175	-
Total non-current liabilities	980,796	11	844,587	10
Total liabilities	2,235,532	26	2,186,189	27
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)				
Ordinary shares	1,281,127	15	1,281,127	15
Capital surplus	348,263	4	348,263	4
Retained earnings				
Legal reserve	908,264	10	809,987	10
Special reserve	107,627	1	38,365	-
Unappropriated earnings	4,010,767	46	3,545,719	43
Total retained earnings	5,026,658	57	4,394,071	53
Other equity	(284,655)	(3)	(107,627)	(1)
Total equity attributable owners of the company	6,371,393	73	5,915,834	71
NON-CONTROLLING INTERESTS (Notes 4 and 23)	143,590	1	143,924	2
Total equity	6,514,983	74	6,059,758	73
TOTAL	$ 8,750,515	100	$ 8,245,947	100

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL 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 Net Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4 and 24)				
Sales	$ 5,887,253	101	$ 6,087,365	101
Less: Sales returns and allowances	73,021	1	67,416	1
Operating revenue, net	5,814,232	100	6,019,949	100
OPERATING COSTS (Notes 11, 25 and 30)	3,473,903	60	3,778,789	63
GROSS PROFIT	2,340,329	40	2,241,160	37
OPERATING EXPENSES (Notes 4, 10, 25 and 30)				
Selling and marketing	233,549	4	250,204	4
General and administrative	455,203	8	472,881	8
Research and development	199,013	3	131,137	2
Expected credit loss	3,663	-	1,903	-
Total operating expenses	891,428	15	856,125	14
PROFIT FROM OPERATIONS	1,448,901	25	1,385,035	23
NON-OPERATING INCOME AND EXPENSES (Note 25)				
Other income	108,512	2	99,814	2
Other gains and losses	(38,666)	(1)	28,176	-
Finance costs	(5,060)	-	(3,947)	-
Total non-operating income and expenses	64,786	1	124,043	2
CONSOLIDATED PROFIT BEFORE INCOME TAX	1,513,687	26	1,509,078	25
INCOME TAX EXPENSE (Notes 4 and 26)	398,422	7	520,450	9
CONSOLIDATED NET PROFIT FOR THE YEAR	1,115,265	19	988,628	16
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	4,770	-	(2,331)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(260)	-	14	-

(Continued)

THINKING ELECTRONIC INDUSTRIAL 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 Net Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Income tax relating to items that will not be reclassified subsequently to profit or loss	$ (954)	-	$ 848	-
	3,556	-	(1,469)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(220,960)	(4)	(88,022)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	44,192	1	18,746	-
	(176,768)	(3)	(69,276)	(1)
Other comprehensive loss for the year, net of income tax	(173,212)	(3)	(70,745)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 942,053	16	$ 917,883	15
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,115,990	19	$ 982,766	16
Non-controlling interests	(725)	-	5,862	-
	$ 1,115,265	19	$ 988,628	16
TOTAL COMPREHENSIVE PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 942,387	16	$ 912,539	15
Non-controlling interests	(334)	-	5,344	-
	$ 942,053	16	$ 917,883	15
EARNINGS PER SHARE (Note 27)				
Basic	$ 8.71		$ 7.67	
Diluted	$ 8.61		$ 7.63	

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL 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 Attribute to the Owners of the Company												
			Retained Earnings				Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available -for-sale Financial Assets	Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total Equity Attribute to the Owners	Non-Controlling Interests	Total Equity
BALANCE, JANUARY 1, 2018	$ 1,281,127	$ 348,263	$ 701,534	$ 2,183	$ 3,221,004	$ 3,924,721	$ (31,587)	$ (6,778)	$ -	$ (38,365)	$ 5,515,746	$ 139,727	$ 5,655,473
Effect of retrospective application	-	-	-	-	-	-	-	6,778	(6,778)	-	-	-	-
BALANCE, JANUARY 1, 2018 AS ADJUSTED	1,281,127	348,263	701,534	2,183	3,221,004	3,924,721	(31,587)	-	(6,778)	(38,365)	5,515,746	139,727	5,655,473
Appropriation of 2017 earnings (Note 23)													
Legal reserve	-	-	108,453	-	(108,453)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	36,182	(36,182)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(512,451)	(512,451)	-	-	-	-	(512,451)	-	(512,451)
	-	-	108,453	36,182	(657,086)	(512,451)	-	-	-	-	(512,451)	-	(512,451)
Net profit in 2018	-	-	-	-	982,766	982,766	-	-	-	-	982,766	5,862	988,628
Other comprehensive income (loss) in 2018, net of income tax	-	-	-	-	(965)	(965)	(69,276)	-	14	(69,262)	(70,227)	(518)	(70,745)
Total comprehensive income (loss) in 2018	-	-	-	-	981,801	981,801	(69,276)	-	14	(69,262)	912,539	5,344	917,883
Changes in percentage of ownership in subsidiaries (Note 23)	-	-	-	-	-	-	-	-	-	-	-	(1,147)	(1,147)
BALANCE, DECEMBER 31, 2018	1,281,127	348,263	809,987	38,365	3,545,719	4,394,071	(100,863)	-	(6,764)	(107,627)	5,915,834	143,924	6,059,758
Appropriation of 2018 earnings (Note 23)													
Legal reserve	-	-	98,277	-	(98,277)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	69,262	(69,262)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(486,828)	(486,828)	-	-	-	-	(486,828)	-	(486,828)
	-	-	98,277	69,262	(654,367)	(486,828)	-	-	-	-	(486,828)	-	(486,828)
Net profit (loss) in 2019	-	-	-	-	1,115,990	1,115,990	-	-	-	-	1,115,990	(725)	1,115,265
Other comprehensive income (loss) in 2019, net of income tax	-	-	-	-	3,425	3,425	(176,768)	-	(260)	(177,028)	(173,603)	391	(173,212)
Total comprehensive income (loss) in 2019	-	-	-	-	1,119,415	1,119,415	(176,768)	-	(260)	(177,028)	942,387	(334)	942,053
BALANCE, DECEMBER 31, 2019	$ 1,281,127	$ 348,263	$ 908,264	$ 107,627	$ 4,010,767	$ 5,026,658	$ (277,631)	$ -	$ (7,024)	$ (284,655)	$ 6,371,393	$ 143,590	$ 6,514,983

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

THINKING ELECTRONIC INDUSTRIAL 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		
Consolidated profit before income tax	$ 1,513,687	$ 1,509,078
Adjustments for:		
Depreciation expense	264,576	223,476
Amortization expense	8,800	3,077
Expected credit loss	3,663	1,903
Finance costs	5,060	3,947
Interest income	(64,092)	(47,199)
Loss on disposal of property, plant and equipment, net	4,700	5,769
Loss on inventories	52,777	264,313
Recognition of provisions	24,000	24,000
Other non-cash items	(2,810)	2,905
Changes in operating assets and liabilities		
Notes receivable	(15,056)	(74,035)
Accounts receivable	39,448	31,877
Other receivables	(504)	5,936
Inventories	94,610	(250,495)
Other current assets	48,620	14,686
Net defined benefit asset	(3,457)	-
Notes payable	(87,785)	114,112
Accounts payable	(14,132)	(83,217)
Accounts payable to related parties	-	(15,963)
Other payables	(31,375)	4,040
Other payables to related parties	(39)	175
Other current liabilities	930	(2,675)
Net defined benefit liabilities	-	(4,675)
Refund liabilities	(9,119)	(13,840)
Cash generated from operations	1,832,502	1,717,195
Interest received	53,059	42,092
Interest paid	(5,177)	(3,947)
Income tax paid	(233,686)	(411,402)
Net cash generated from operating activities	1,646,698	1,343,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(55,029)	-
Acquisition of financial assets at fair value through profit or loss	(7,815,959)	(3,184,254)
Proceeds from disposal of financial assets at fair value through profit or loss	7,097,561	2,808,229
Acquisition of property, plant and equipment	(274,891)	(472,553)
Proceeds from disposal of property, plant and equipment	11,571	11,212
Increase in refundable deposits	-	(1,175)
Decrease in refundable deposits	1,024	-
Payment for intangible assets	(18,861)	(17,832)
Increase in prepayments for leases	-	(14,839)

(Continued)

THINKING ELECTRONIC INDUSTRIAL 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
Increase in other financial assets	$ -	$ (108,888)
Decrease in other financial assets	55,418	-
Increase in other non-current assets	(5,455)	(2,033)
Net cash used in investing activities	(1,004,621)	(982,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	314,302	-
Repayments of short-term borrowings	(235,000)	-
Repayments of long-term borrowings	(150,000)	-
Refund of guarantee deposits received	(737)	(79)
Repayments of the principal portion of lease liabilities	(24,125)	-
Cash dividends paid	(486,828)	(512,451)
Acquisition of subsidiaries’ shares	-	(1,147)
Net cash used in financing activities	(582,388)	(513,677)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(117,998)	(48,984)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,309)	(200,856)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,832,903	2,033,759
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,774,594	$ 1,832,903

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

(With Deloitte & Touche auditors’ report dated March 23, 2020)

1. GENERAL INFORMATION

Thinking electronic industrial Co., Ltd. (the "Company") was incorporated in July 1979. The Company mainly manufactures, processes and sells electric devices, thermistors, varistors and wires.

The Company's shares have been listed on the Taiwan Stock Exchange since September 2000.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 23, 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 would not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the "Group"):

   <u>IFRS 16 "Leases"</u>

   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.

   1) Definition of a lease

      The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated..

   2) The Group as lessee

      The Group recognizes right-of-use assets 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, were recognized as expenses on a straight-line basis and prepayments for acquisition of right-of-use land in China are reclassified in prepayments for lease. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

Lease liabilities will be 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 accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

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

c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 3.55%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 98,854
Less: Recognition exemption for short-term leases	907
Less: Recognition exemption for leases of low-value assets	388
Undiscounted amounts on January 1, 2019	$ 97,559
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 88,350
Add: Adjustments as a result of a different treatment of extending the main plants' useful lives	17,369
Lease liabilities recognized on January 1, 2019	$ 105,719

3) The Group as lessor

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.

4) The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current (recorded under the line item of other current assets)	$ 3,160	$ (3,160)	$ -
Prepayments for leases - non-current	155,106	(155,106)	-
Right-of-use assets	-	263,985	263,985
Total effect on assets	$ 158,266	$ 105,719	$ 263,985
Lease liabilities - current	$ -	$ 23,245	$ 23,245
Lease liabilities - non-current	-	82,474	82,474
Total effect on liabilities	$ -	$ 105,719	$ 105,719

b. The IFRSs endorsed by the 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.

As of the date the consolidated financial statements were authorized for issue, the Group assessed there was no significant impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance.

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.

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 POLICIES

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 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 financial instruments that are measured at fair value and net defined liabilities (assets) which are measured at the present value of the defined benefit obligation (fair value of plan asset) less the fair value of plan assets (present value of the defined benefit obligation).

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).

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 13, Table 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

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 year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when 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 purposes of presenting consolidated financial statements, the functional currencies of the Company and 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 year; and income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the company and non-controlling interests.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

f. Inventories

Inventories consist of merchandises, finished goods, work-in-process, raw materials and supplies 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. 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 the weighted-average cost.

g. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

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 methods are reviewed at the end of each reporting year, 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.

h. Investment properties

Investment properties are properties held to earn rental and/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.

i. Intangible assets

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 the estimates accounted for on a prospective basis.

Expenditures on research activities are recognized as expenses in the period in which they are incurred.

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.

j. Impairment of tangible and intangible assets

At the end of each reporting year, the Group reviews the carrying amounts of its tangible and intangible assets 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. Corporate assets are allocated to individual cash-generating units or the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group 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 fair value through profit or loss (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 category

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

i Financial asset at FVTPL

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL, which are not debt instruments that do not meet the amortized cost criteria or the FVOTCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

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 receivable, accounts receivable, other receivables, other financial assets, and refundable deposits 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 a financial asset.

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 time deposits 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

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. 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.

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. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Group's financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

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

Revenue from sale of goods comes from sales of thermistors and varistors. Sales of thermistors and varistors are recognized as revenue when the goods are shipped or 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. Accounts receivable are recognized concurrently.

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

Refund liabilities are based on the historical experience and different contract items to estimate the probable sales returns and allowance.

m. Leases

<u>2019</u>

When the Group is lessee, the Group assesses whether the contract is, or contains, a lease at the inception of a contract.

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 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, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. 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 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.

<u>2018</u>

When the Group is lessee, 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.

The operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. 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 other equity 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 plan.

o. 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 in the year the stockholders approve to retain the 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 and unused loss carryforwards 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 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 only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 for the year

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.

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 year in which the estimates are revised if the revisions affect only that year or in the year of the revisions and future years if the revisions affect both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

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	$ 1,520	$ 2,216
Checking accounts	74	74
Demand deposits	1,116,116	1,063,776
Cash equivalents		
Time deposits with original maturities less than 3 months	656,884	766,837
	$ 1,774,594	$ 1,832,903

a. The market rate intervals of cash equivalents at the end of the years were as follows:

	December 31	
	2019	2018
Time deposits (%)	2.59-3.30	0.60-4.00

b. The Group transacted with a variety of financial institutions with high credit quality to disperse credit risk, hence, there was no expected credit loss.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Principal guaranteed/non-guaranteed structured deposits with floating yields	$ 1,239,151	$ 575,197

Refer to Note 31 for information relating to FVTPL pledged as security.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT - ONLY FOR DECEMBER 31, 2019

The market rate interval of time deposits with original maturities of more than 3 months was 0.65%-3.60% per annum as of December 31, 2019.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic unlisted shares	$ 26,918	$ 27,178

These investments in equity instruments are not held for trading or for short-term gains. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31 2019	December 31 2018
Notes receivable - operating		
At amortized cost		
Gross carrying amount	$ 387,839	$ 372,783
Accounts receivable - operating		
At amortized cost		
Gross carrying amount	$ 1,683,612	$ 1,724,143
Less: Allowance for impairment loss	24,898	22,666
	$ 1,658,714	$ 1,701,477

Refer to Note 31 for information related to notes receivable pledged as security.

Refer to Note 29 for information related to credit management policy.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable 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.

There were no notes receivable that were past due and not impaired at the end of the reporting years.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,540,020	$ 62,823	$ 50,747	$ 3,311	$ 8,688	$ 18,023	$ 1,683,612
Loss allowance (Lifetime ECLs)	(717)	(314)	(507)	(993)	(4,344)	(18,023)	(24,898)
Amortized cost	$ 1,539,303	$ 62,509	$ 50,240	$ 2,318	$ 4,344	$ -	$ 1,658,714

December 31, 2018

	Not Past Due	Past Due 1to 30 Days	Past Due 31 to 60 Days	Past Due 61 to 90 Days	Past Due 91 to 180 Days	Past Due Over 180 Days	Total
Expected credit loss rate (%)	0-0.05	0.5	1	30	50	100	
Gross carrying amount	$ 1,529,355	$ 112,029	$ 56,251	$ 5,470	$ 3,830	$ 17,208	$ 1,724,143
Loss allowance (Lifetime ECLs)	(785)	(554)	(563)	(1,641)	(1,915)	(17,208)	(22,666)
Amortized cost	$ 1,528,570	$ 111,475	$ 55,688	$ 3,829	$ 1,915	$ -	$ 1,701,477

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 22,666	$ 21,013
Add: Net remeasurement of loss allowance	3,663	1,903
Less: Amounts written off	(1,083)	-
Foreign exchange gains and losses	(348)	(250)
Balance at December 31	$ 24,898	$ 22,666

11. INVENTORIES

	December 31	
	2019	2018
Merchandises	$ 702	$ 1,867
Finished goods	528,672	506,445
Work-in-process	40,331	169,235
Raw materials	228,877	252,362
Supplies	15,602	17,338
Inventory in transit	8,114	16,263
	$ 822,298	$ 963,510

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $3,473,903 thousand and $3,778,789 thousand, respectively, which included the following items:

	For the Year Ended December 31	
	2019	2018
Write-off obsolete inventories	$ 83,133	$ 200,683
Inventory write-downs (reversed)	(30,356)	63,630
	$ 52,777	$ 264,313

12. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Pledge time deposits	$ 56,996	$ 112,414
Current	$ 28,196	$ 111,292
Non-current	28,800	1,122
	$ 56,996	$ 112,414
Interest rate (%)	0.30-2.25	0.35-1.30

Refer to Note 31 for information related to other financial assets pledged as security.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership (%) December 31, 2019	Percentage of Ownership (%) December 31, 2018
The Company	Yenyo Technology Co., Ltd. (Yenyo)	Note 1	52.61	52.61
	Greenish Co., Ltd. (Greenish)	Note 2	100.00	100.00
	Thinking (Changzhou) Electronic Co., Ltd. (Thinking Changzhou)	Note 5	47.39	47.39
	Welljet Hong Kong Ltd. (Welljet)	Notes 2 and 7	-	0.01
	Saint East Co., Ltd. (Saint East)	Notes 2 and 7	-	100.00
	Thinking Holding (Cayman) Co., Ltd. (Thinking Holding)	Note 2	100.00	100.00
Greenish	Thinking Changzhou	Note 5	52.61	52.61
	Welljet	Notes 2 and 7	-	99.99
Thinking Holding	Thinking International Co., Ltd. (Thinking International)	Note 2	100.00	100.00
	Thinking (HK) Enterprises Limited (Thinking Hk)	Note 2	100.00	100.00
	View Full (Samoa) Ltd. (View Full Samoa)	Note 2	100.00	100.00
	Thinking Electronic (Samoa) Ltd. (Thinking Samoa)	Note 2	100.00	100.00
Thinking Interaction	Thinking (Yichang) Electronic Co., Ltd. (Thinking Yichang)	Note 5	100.00	100.00
Thinking HK	Jiang Xi Thinking Electronic Co., Ltd. (Jiangxi Thinking)	Note 3	100.00	100.00
View Full Samoa	Guangdong Welkin Thinking Electronic Co., Ltd. (Guangdong Welkin Thinking)	Note 4	100.00	100.00
Thinking Samoa	Dong Guan Welkin Electronic Co., Ltd. (Dongguan Welkin)	Note 6	25.00	25.00
Thinking Changzhou	Dongguan Welkin	Note 6	75.00	75.00

Note 1: Processing, selling and manufacturing diodes.

Note 2: International trading and investment.

Note 3: Manufacturing and selling thermistors and varistors.

Note 4: Wholesale of thermistors, varistors, sensors and equipment.

Note 5: Manufacturing and selling thermistors, varistors and sensors.

Note 6: Manufacturing and processing thermistors, varistors, sensors and equipment.

Note 7: The Group resolved in the board of directors' meeting in April 2018 to liquidate and dissolve Guangdong Thinking which was invested by Thinking Samoa with 100% ownership for coordination of marketing supply and reintegration of the Group. Then, the Group resolved in the board of directors' meeting in May 2019 to liquidate and dissolve Saint East and Welljet for the same purpose. The Group completed the liquidation process in December 2018, September 2019 and October 2019, respectively.

14. PROPERTY, PLANT, AND EQUIPMENT

For the Year ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2019	$ 193,054	$ 870,661	$ 1,842,470	$ 125,914	$ 344,272	$ 51,781	$ 3,428,152
Additions	-	20,415	178,435	10,599	47,450	46,313	303,212
Disposals	-	(893)	(95,194)	-	(8,773)	-	(104,860)
Effect of foreign currency exchange differences	-	(23,129)	(53,277)	(5,109)	(6,365)	(2,131)	(90,011)
Balance at December 31, 2019	$ 193,054	$ 867,054	$ 1,872,434	$ 131,404	$ 376,584	$ 95,963	$ 3,536,493
Accumulated depreciation							
Balance at January 1, 2019	$ -	$ 219,775	$ 965,486	$ 25,510	$ 193,480	$ -	$ 1,404,251
Disposals	-	(803)	(79,992)	-	(7,794)	-	(88,589)
Depreciation expenses	-	34,641	127,467	25,745	42,232	-	230,085
Effect of foreign currency exchange differences	-	(5,069)	(28,904)	(1,961)	(4,722)	-	(40,656)
Balance at December 31, 2019	$ -	$ 248,544	$ 984,057	$ 49,294	$ 223,196	$ -	$ 1,505,091
Carrying amounts at December 31, 2019	$ 193,054	$ 618,510	$ 888,377	$ 82,110	$ 153,388	$ 95,963	$ 2,031,402

For the Year ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Leasehold Improvements	Others	Property under Construction	Total
Cost							
Balance at January 1, 2018	$ 193,054	$ 802,936	$ 1,614,075	$ 95,784	$ 326,812	$ 67,658	$ 3,100,319
Additions	-	78,677	364,009	31,850	32,774	(14,643)	492,667
Disposals	-	-	(115,850)	-	(9,462)	-	(125,312)
Reclassification	-	2,170	147	-	(2,317)	-	-
Effect of foreign currency exchange differences	-	(13,122)	(19,911)	(1,720)	(3,535)	(1,234)	(39,522)
Balance at December 31, 2018	$ 193,054	$ 870,661	$ 1,842,470	$ 125,914	$ 344,272	$ 51,781	$ 3,428,152
Accumulated depreciation							
Balance at January 1, 2018	$ -	$ 183,614	$ 953,989	$ 4,430	$ 168,211	$ -	$ 1,310,244
Disposals	-	-	(96,394)	-	(11,937)	-	(108,331)
Depreciation expenses	-	37,578	119,749	21,448	39,371	-	218,146
Reclassification	-	337	23	-	(360)	-	-
Effect of foreign currency exchange differences	-	(1,754)	(11,881)	(368)	(1,805)	-	(15,808)
Balance at December 31, 2018	$ -	$ 219,775	$ 965,486	$ 25,510	$ 193,480	$ -	$ 1,404,251
Carrying amounts at December 31, 2018	$ 193,054	$ 650,886	$ 876,984	$ 100,404	$ 150,792	$ 51,781	$ 2,023,901

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main plants	13-60 years
Improvement engineering	2-60 years
Machinery and equipment	1-12 years
Leasehold improvements	3-10 years
Others	2-10 years

Refer to Note 31 for the carrying amount of property, plant and equipment pledged as collateral for bank borrowings.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 193,284
Buildings	66,497
	$ 259,781

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 33,885
Depreciation charge for right-of-use assets	
Land	$ 4,648
Buildings	24,711
	$ 29,359

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 24,851
Non-current	$ 88,198

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	0.75-1.38
Buildings	6.04

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants and offices with lease terms of 4 to 50 years. The lease contract for buildings located in China specifies that lease payments will be adjusted every 3 years on the basis of changes in market rental rates. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease periods. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information - 2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 751
Expenses relating to low-value asset leases	$ 456
Total cash outflow for leases	$ 29,909

Lease arrangements under operating leases for the leasing out of investment properties are presented in Notes 16.

16. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 83,026	$ 87,406
Effect of foreign currency exchange differences	(351)	(4,380)
Balance at December 31	$ 82,675	$ 83,026
Accumulated depreciation		
Balance at January 1	$ 19,543	$ 13,182
Depreciation expenses	5,231	5,330
Effect of foreign currency exchange differences	(903)	1,031
Balance at December 31	$ 23,871	$ 19,543
Carrying amount at December 31	$ 58,804	$ 63,483

Depreciation is provided on a straight-line basis over the estimated useful lives of 12-22 years.

The Group acquired a building located in Beijing, China in November 1, 2016 which the carrying amounts depended on the report in 2017 of fair value released by independent appraisal company.

In addition, the Group also holds buildings located in Suzhou and Nanchang, China. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. PREPAYMENT FOR LEASE - 2018

	December 31, 2018
Current (included in other current assets)	$ 3,160
Noncurrent (included in long-term prepayments for lease)	155,106
	$ 158,266

Prepayments for lease are for land use rights and property use rights in China and the Group has reclassified the amount to right-of-use assets since the beginning of 2019.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Secured borrowings (Note 31)	$ 4,302	$ 25,000
Unsecured borrowings	100,000	-
	$ 104,302	$ 25,000

The annual interest rates of short-term borrowings were as follows:

	December 31	
	2019	2018
Secured borrowings (%)	Interest exemption	1.06
Unsecured borrowings	0.90	-

The above rate with interest exemption of secured borrowings was the compensation policy provided by the local government to the subsidiary - Thinking Yichang.

b. Long-term borrowings (include current portion) - 2018

The long-term borrowing was unsecured and early reimbursed in 2019 with the annual interest rate of 1.15% as of December 31, 2018.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

The Group’s notes payable and accounts payable were from operating activities and were not secured by collaterals.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms, therefore, no interest was charged on the outstanding accounts payable.

20. OTHER PAYABLES

	December 31	
	2019	2018
Payable for salaries and bonuses	$ 228,706	$ 201,812
Payable for purchase of equipment	24,203	42,517
Payable for employees' compensation	44,100	38,000
Payable for remuneration of directors	17,900	16,200
Others	112,339	180,997
	$ 427,248	$ 479,526

21. REFUND LIABILITIES

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 32,836	$ 22,676
Recognized	24,000	24,000
Usage	(9,119)	(13,840)
Balance at December 31	$ 47,717	$ 32,836

The discount on refund liabilities was based on historical experience, management's judgments and other known reasons to estimate sales compensation and offset refund liability when compensation actually occurs.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

1) The Company and Yenyo 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, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

2) Thinking Changzhou, Dongguan Welkin, Thinking Yichang, Jiangxi Thinking and Guangdong Welkin Thinking of the Group make contributions in accordance with the local regulations. The subsidiaries are required to contribute a specified percentage of salaries to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan are to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company and Yenyo of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and Yenyo of the Group contribute specific percentage 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	$ 103,109	$ 106,772
Fair value of plan assets	(104,624)	(99,682)
Deficit (surplus)	(1,515)	7,090
Classified under other payables	-	(378)
Net defined benefit liabilities (assets)	$ (1,515)	$ 6,712

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 Liabilities (Assets)**
Balance at January 1, 2018	$ 101,629	$ (92,193)	$ 9,436
Service cost			
Current service cost	270	-	270
Net interest expense (income)	1,259	(1,160)	99
Recognized in profit or loss	1,529	(1,160)	369
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,463)	(2,463)
Actuarial loss - changes in financial assumptions	1,873	-	1,873
Actuarial loss - experience adjustments	2,921	-	2,921
Recognized in other comprehensive income	4,794	(2,463)	2,331
Contributions from the employer	-	(5,046)	(5,046)
Benefits paid	(1,180)	1,180	-
Balance at December 31, 2018 (including $378 thousand of other payables)	106,772	(99,682)	7,090
Service cost			
Current service cost	191	-	191
Net interest expense (income)	1,107	(1,045)	62
Recognized in profit or loss	1,298	(1,045)	253
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,420)	(3,420)
Actuarial loss - changes in financial assumptions	486	-	486

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Actuarial loss - experience adjustments	$ (1,836)	$ -	$ (1,836)
Recognized in other comprehensive income	(1,350)	(3,420)	(4,770)
Contributions from the employer	-	(4,088)	(4,088)
Benefits paid	(3,611)	3,611	-
Balance at December 31, 2019	$ 103,109	$ (104,624)	$ (1,515)

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company and Yenyo of the Group are 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 should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government 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 plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary 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 were as follows:

	December 31	
	2019	2018
Discount rate (%)	1.00-1.10	1.00-1.30
Expected rate of salary increase (%)	2.00-3.00	2.00-3.00

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

	December 31	
	2019	2018
Discount rate		
0.25% increase	$ (1,886)	$ (2,160)
0.25% decrease	$ 1,957	$ 2,243
Expected rate of salary increase		
1% increase	$ 8,111	$ 9,319
1% decrease	$ (7,158)	$ (8,187)

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 the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 3,783	$ 5,042
The average duration of the defined benefit obligation (years)	10-16	10-17

23. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	140,000	140,000
Shares authorized	$ 1,400,000	$ 1,400,000
Number of shares issued and fully paid (in thousands)	128,113	128,113
Shares issued	$ 1,281,127	$ 1,281,127

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital Surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to ordinary shares (Note)		
Conversion of bonds	$ 265,446	$ 265,446
Issuance of ordinary shares	59,168	59,168
Treasury share transactions	23,649	23,649
	$ 348,263	$ 348,263

Note: The 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 ordinary shares (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained Earnings and Dividend Policy

Under the dividends policy in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a 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 stockholders' meeting for distribution of dividends and bonuses to stockholders.

The Company's dividend policy is also designed to meet the current and future development plans and takes into consideration the investment environment, capital needs, domestic or international competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute the dividends at no less than 30% of the distributable earnings of the current year. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 20% of total dividends.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reservist a special reserve. Any special resume appropriated may be reserved to the extent that the net debit balance reserves and thereafter distributed.

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.

The appropriations of earnings for 2018 and 2017 were approved in the stockholders' meeting on June 21, 2019 and June 22, 2018, respectively. The appropriations of earnings for 2018 and 2017 were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For the Year Ended		**For the Year Ended**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 98,277	$ 108,453		
Special reserve	69,262	36,182		
Cash dividends	486,828	512,451	$ 3.8	$ 4.0
	$ 654,367	$ 657,086		

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividend Per Share (NT$)**
Legal reserve	$ 111,942	
Special reserve	177,028	
Cash dividends	538,073	$ 4.2
	$ 827,043	

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 15, 2020.

d. Other Equity Items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (100,863)	$ (31,587)
Effect of change in tax rate	-	1,142
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(220,960)	(88,022)
Income tax relating to exchange differences arising on translating foreign operations	44,192	17,604
Balance at December 31	$ (277,631)	$ (100,863)

2) Unrealized loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (6,764)	$ (6,778)
Recognized for the year		
Unrealized gain (loss)	(260)	14
Balance at December 31	$ (7,024)	$ (6,764)

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 143,924	$ 139,727
Share in profit for the year	(725)	5,826
Other comprehensive income (loss) during the year	391	(518)
Acquisition of non-controlling interests in subsidiaries	-	(1,147)
Balance at December 31	$ 143,590	$ 143,924

24. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	$ 5,814,054	$ 6,019,843
Service revenue	178	106
	$ 5,814,232	$ 6,019,949

a. Refer to Note 4 for information related to contracts with customers.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (Note 10)	$ 2,046,553	$ 2,074,260	$ 2,033,755

c. Disaggregation of revenue

For the year ended December 31, 2019

	Reportable Segments				
Type of revenue	The Company	Yenyo	Thinking Changzhou	Others	Total
Revenue from sale of passive components	$ 2,818,637	$ 217,197	$ 1,257,467	$ 1,520,753	$ 5,814,054
Service revenue	178	-	-	-	178
	$ 2,818,815	$ 217,197	$ 1,257,467	$ 1,520,753	$ 5,814,232

For the year ended December 31, 2018

	Reportable Segments				
Type of revenue	The Company	Yenyo	Thinking Changzhou	Others	Total
Revenue from sale of passive components	$ 2,992,829	$ 261,361	$ 1,350,140	$ 1,415,513	$ 6,019,843
Service revenue	106	-	-	-	106
	$ 2,992,935	$ 261,361	$ 1,350,140	$ 1,415,513	$ 6,019,949

25. CONSOLIDATED NET PROFIT

Consolidated net profit included following items:

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 64,092	$ 47,199
Income from overdue payables written off	2,472	18,112
Government grants	2,936	3,506
Others	39,012	30,997
	$ 108,512	$ 99,814

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains (losses), net	$ (16,126)	$ 55,687
Loss on disposal of property, plant and equipment, net	(4,700)	(5,769)
Others	(17,840)	(21,742)
	$ (38,666)	$ 28,176

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest expense of borrowings	$ 547	$ 3,947
Interest on lease liabilities	4,577	-
	5,124	3,947
Less: Amounts included in the cost of qualifying assets	(64)	-
	$ 5,060	$ 3,947

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 230,085	$ 218,146
Right-of-use-assets	29,359	-
Investment properties	5,231	5,330
Other intangible assets	8,374	2,643
Other assets	426	434
	273,475	226,553
Less: Amounts included in the cost of qualifying assets	(99)	-
	$ 273,376	$ 226,553
An analysis of depreciation by function		
Operating costs	$ 205,635	$ 177,019
Operating expenses	53,710	41,127
Other gains and losses	5,231	5,330
	$ 264,576	$ 223,476
An analysis of amortization by function		
Operating costs	$ 2,072	$ 1,390
Operating expenses	6,728	1,687
	$ 8,800	$ 3,077

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salary	$ 1,225,798	$ 1,269,986
Others	165,743	121,217
	1,391,541	1,391,203
Post-employment benefits		
Defined contribution plans	71,238	89,359
Defined benefit plans (Note 22)	253	369
	71,491	89,728
	$ 1,463,032	$ 1,480,931
An analysis of employee benefits expense by function		
Operating costs	$ 951,006	$ 1,008,316
Operating expenses	512,026	472,615
	$ 1,463,032	$ 1,480,931

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The appropriations of employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, approved by the board of directors on March 23, 2020 and March 25, 2019, respectively, were as follows:

	For the Year Ended December 31	
	2019	2018
Accrual rate		
Employees' compensation (%)	3.0	2.7
Remuneration of directors (%)	1.2	1.1
Amounts		
Employees' compensation	$ 44,100	$ 38,000
Remuneration of directors	17,900	16,200

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 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 resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains and losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 75,473	$ 181,861
Foreign exchange losses	(91,599)	(126,174)
Net gains (losses)	$ (16,126)	$ 55,687

26. INCOME TAX

a. The major components of income tax expense are as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 250,070	$ 276,997
Income tax on unappropriated earnings	14,017	42,572
Adjustments for prior years	(32,545)	1,179
	231,542	320,748
Deferred tax		
In respect of the current year	166,880	117,091
Effect of change in tax rate	-	82,611
	166,880	199,702
Income tax expense recognized in profit or loss	$ 398,422	$ 520,450

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	$ 1,513,687	$ 1,509,078
Income tax expense calculated at the statutory rate	$ 415,195	$ 442,151
Nondeductible expenses and tax-exempt income	(3,340)	(36,030)
Income tax on unappropriated earnings	14,017	42,572
Unrecognized deductible temporary differences	16,479	(3,351)
Effect of change in tax rate	-	82,611
Usage of investment credit	(11,225)	(9,000)
Foreign currency exchange differences	(159)	318
Adjustments for prior years’ tax	(32,545)	1,179
Income tax expense recognized in profit or loss	$ 398,422	$ 520,450

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%, however, Thinking Changzhou, Thinking Yichang and Jiangxi Thinking qualified as high technology enterprises and were entitled to the applicable tax rate of 15%.

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. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate	$ -	$ (1,070)
In respect of the current year		
Translation of foreign operations	(44,192)	(18,078)
Remeasurement on defined benefit plans	954	(446)
Income tax recognized in other comprehensive income	$ (43,238)	$ (19,594)

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 580	$ 1,032
Current tax liabilities		
Income tax payable	$ 106,565	$ 109,161

d. Deferred tax assets and liabilities

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

For the Year ended December 31, 2019

	Balance, Beginning of Year	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Exchange Differences**	**Balance, End of Year**
Deferred Tax Assets					
Temporary differences					
Unrealized loss on inventories	$ 42,393	$ (8,648)	$ -	$ (874)	$ 32,871
Unrealized gross profits	6,356	(2,493)	-	-	3,863
Unrealized refund liabilities	6,567	2,976	-	-	9,543
Exchange differences on translating the financial statements of foreign operations	25,215	-	44,192	-	69,407
Others	19,238	(1,646)	(954)	(74)	16,564
	$ 99,769	$ (9,811)	$ 43,238	$ (948)	$ 132,248

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 705,127	$ 145,564	$ -	$ 850,691
Others	9,038	11,505	(655)	19,888
	$ 714,165	$ 157,069	$ (655)	$ 870,579

For the Year ended December 31, 2018

Deferred Tax Assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 31,407	$ 11,535	$ -	$ (549)	$ 42,393
Unrealized gross profits	4,491	1,865	-	-	6,356
Unrealized refund liabilities	3,855	2,712	-	-	6,567
Exchange differences on translating the financial statements of foreign operations	6,469	-	18,746	-	25,215
Others	12,674	5,936	848	(220)	19,238
	$ 58,896	$ 22,048	$ 19,594	$ (769)	$ 99,769

Deferred Tax Liabilities	Balance, Beginning of Year	Recognized in Profit or Loss	Exchange Differences	Balance, End of Year
Temporary differences				
Foreign investment income	$ 490,670	$ 214,457	$ -	$ 705,127
Others	1,787	7,293	(42)	9,038
	$ 492,457	$ 221,750	$ (42)	$ 714,165

e. Information about unused loss carryforwards for Yenyo of the Group as of December 31, 2019 comprised of:

Factual Year	Expiry Year	Unused Amount
2013	2023	$ 3,454
2015	2025	1,467
2016	2026	2,650
2017	2027	997
		$ 8,568

According to the Income Tax Act, loss carryforwards shall be used within the next 10 years. The Group did not recognized deferred tax assets because of the low possibility of realization in the future.

f. Income tax assessments

The tax returns of the Company and Yenyo of the Group through 2017 have been assessed by the tax authorities.

27. EARNINGS PER SHARE (EPS)

The earnings and weighted average number of ordinary shares outstanding used in the computation of EPS 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	$ 1,115,990	$ 982,766

Weighted average number of ordinary shares outstanding (in thousands of shares)

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in computation of basic EPS	128,113	128,113
Effect of potentially dilutive ordinary shares		
Employees' compensation	553	613
Weighted average number of ordinary shares used in the computation of diluted EPS	128,666	128,726

If the Group offered to settle the 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 EPS, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

28. 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 stockholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the last 2 years.

The Group is not subject to any externally imposed capital requirements.

29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Group's management considers that the carrying amounts of financial assets and financial liabilities which are not measured at fair value approximate their fair values.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Principal guaranteed/ non-guaranteed structured deposits with floating yields	$ -	$ -	$ 1,239,151	$ 1,239,151
Financial assets at FVTOCI				
Domestic unlisted shares	-	-	26,918	26,918
	$ -	$ -	$ 1,266,069	$ 1,266,069

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Principal guaranteed/ non-guaranteed structured deposits with floating yields	$ -	$ -	$ 575,197	$ 575,197
Financial assets at FVTOCI				
Domestic unlisted shares	-	-	27,178	27,178
	$ -	$ -	$ 602,375	$ 602,375

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2019	$ 575,197	$ 27,178	$ 602,375
Purchases	7,815,959	-	7,815,959
Sales	(7,097,561)	-	(7,097,561)
Recognized in other comprehensive loss	-	(260)	(260)
Foreign currency exchange differences	(54,444)	-	(54,444)
Balanced at December 31, 2019	$ 1,239,151	$ 26,918	$ 1,266,069

For the year ended December 31, 2018

Financial assets	Debt Instruments Financial Assets at FVTPL	Equity Instruments Financial Assets at FVTOCI	Total
Balance at January 1, 2018	$ 207,054	$ 27,164	$ 234,218
Purchases	3,184,254	-	3,184,254
Sales	(2,808,229)	-	(2,808,229)
Recognized in other comprehensive income	-	14	14
Foreign currency exchange differences	(7,882)	-	(7,882)
Balanced at December 31, 2018	$ 575,197	$ 27,178	$ 602,375

3) Valuation techniques and inputs applied for Level 3 fair value measurement

a) The fair values of domestic unlisted shares are determined using market approach where the inputs are categories of business, values of same type of company and operation of company.

b) The fair values of structured deposits with floating yields are determined using discounted cash flow method.

c. Categories of financial instruments

Financial assets	December 31 2019	 2018
FVTPL		
Mandatorily classified as at FVTPL	$ 1,239,151	$ 575,197

(Continued)

	December 31	
	2019	2018
Financial assets at amortized cost (Note 1)	$ 3,959,141	$ 4,035,051
Financial assets at FVTOCI		
Equity instruments	26,918	27,178
Financial liabilities		
Amortized cost (Note 2)	1,067,948	1,293,617

(Concluded)

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, other receivables (excluding income tax refund receivable), other financial assets and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payable, accounts payable, other payables (including related parties), long-term borrowings (including current portion) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Treasury function reports quarterly to the Group's management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks

a) Foreign currency risk

The Group has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 33.

Sensitivity analysis

The Group is mainly exposed to the risk from the fluctuation of USD and RMB.
The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies.

A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	**2018**	**2019**	**2018**
Profit (loss)	$ 13,844	$ 14,603	$ (678)	$ 1,221

b) Interest rate risk

The interest rate risk of the Group is primarily related to its fixed interest rates of bank loans. The company manages its interest rate risk by using interest rate swap contracts and forward interest rate contracts. Furthermore, total amount of the Group's cash and cash equivalents are considerably greater than the amount of bank loans which can process repayment procedure spontaneously. Therefore, interest rate risk does not have significant impact to the Group.

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 715,109	$ 766,884
Financial liabilities	213,049	150,000
Cash flow interest rate risk		
Financial assets	2,355,267	1,661,722
Financial liabilities	-	25,000

Sensitivity analysis

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have been higher/lower by $23,553 thousand and by $16,367 thousand, respectively, which was mainly a result of the changes in the floating interest rate financial merchandise.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation provided due to the financial guarantees provided by the Group, could be the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties 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 and its own trading records to rate its major customers. The Group is continuously monitoring and spreading the aggregate transactions to each credit - qualified counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually.

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. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Because the Group's current assets or cash and cash equivalents are much more than current liabilities, the Group has no liquidity risk.

e. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2019 and 2018, the face amounts of these unsettled bills receivable were $210,667 thousand and $183,249 thousand, respectively. The unsettled bills receivable will be due in 9 months and 8 months, respectively after December 31, 2019 and 2018. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2019 and 2018, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

30. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions and revenues and expenses among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transaction between the Group and other related parties were as follows:

a. Related party name and its relationship with the Group

Related Party Name	Relationship with the Group
Welkin Electronic Industrial Co., Ltd. (Pingtung Welkin)	Related party in substance
Boking Investment Co., Ltd. (Boking Chin Investment)	Related party in substance

b. Other transactions with related parties

1) Consigned processing

Line Item	Related Party Category /Name	For the Year Ended December 31 2019	2018
Processing expense	Related party in substance	$ 215	$ 203

The price and payment terms with substance related party were not be compared due to the Group have no other consigned processing business with non-related parties. The payment term was 30 days from the end of the month of when invoice is issued.

2) Lease arrangements

Line Item	Related Party Category /Name	For the Year Ended December 31	
		2019	2018
Lease expense	Related party in substance - Boking Investment	$ 480	$ 480

The lease contract between the Group and related party in substance is based on the market rental agreement under the general payment terms.

c. Closing balance

	For the Year Ended December 31	
	2019	2018
Other payables		
Related party in substance − Pingtung Welkin	$ 142	$ 181

d. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 71,216	$ 71,000
Post-employment benefits	343	1,389
	$ 72,559	$ 72,389

The remuneration of directors and other members of key management is determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The Group provided the following assets as collateral for bank borrowings, tariff guarantee for imported and exported, deposits for construction contract and payment:

	December 31	
	2019	2018
Pledged deposits (classified as financial assets)	$ 56,996	$ 112,414
Notes receivable	153,710	142,438
Financial assets at fair value through profit or loss	-	356,204
Properties, plant and equipment		
Land	50,840	50,840
Buildings	51,591	55,797
	$ 313,497	$ 717,738

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments due to the plants under construction and equipment were as follows:

	December 31	
	2019	2018
Acquisition of property, plant and equipment	$ 55,472	$ 140,232

33. 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 and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
December 31, 2019				
Financial assets				
Monetary items				
USD	$ 24,442	6.9805	(USD:RMB)	$ 733,740
USD	36,145	30.0200	(USD:NTD)	1,085,081
USD	11	7.7873	(USD:HKD)	321
RMB	58,339	4.3006	(RMB:NTD)	250,894
RMB	16,020	0.1433	(RMB:USD)	68,894
				$ 2,138,930
Financial liabilities				
Monetary items				
USD	1,289	6.9805	(USD:RMB)	$ 38,688
USD	13,192	30.0200	(USD:NTD)	396,014
RMB	90,130	4.3006	(RMB:NTD)	387,612
				$ 822,314
December 31, 2018				
Financial assets				
Monetary items				
USD	28,543	6.8633	(USD:RMB)	$ 878,843
USD	40,384	30.7900	(USD:NTD)	1,243,418
USD	12	7.8346	(USD:HKD)	357
RMB	103,095	4.4862	(RMB:NTD)	462,507
RMB	17,907	0.1457	(RMB:USD)	80,334
				$ 2,665,459

(Continued)

	Foreign Currencies (In Thousand)	Exchange Rate		Carrying Amounts (In Thousand)
Financial liabilities				
Monetary items				
USD	$ 1,298	6.8633	(USD:RMB)	$ 39,969
USD	20,212	30.7900	(USD:NTD)	622,316
RMB	93,782	4.4862	(RMB:NTD)	420,723
RMB	1	0.1457	(RMB:USD)	3
				$ 1,083,011

(Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange loss was $16,126 thousand and net foreign exchange gain was $55,687 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group's entities.

34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees

1) Financing provided to others: Table 1.

2) Endorsement/guarantee provided: None.

3) Marketable securities held (excluding investment in subsidiaries): Table 2.

4) Marketable securities acquired and disposed at cost or price at least NT$300 million or 20% of the paid-in capital: Table 3.

5) Acquisition of individual real estate at cost 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 4.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5.

9) Trading in derivative instruments: None.

10) Intercompany relationships and significant intercompany transaction: Table 8.

11) Information on investees: Table 6.

b. Information on investments in Mainland China

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 year, repatriations of investment income, and limit on the amount of investment in the mainland China areas: Table 7.

Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:

1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 4.

2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Table 4.

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

   The Company purchased spare parts for the year ended December 31, 2019 and sold those with amount of $1,224 thousand to Thinking Yichang. The gain under the transaction was $61 thousand which was reclassified to the reduction of investments accounted for using the equity method and eliminated on consolidation.

4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: None.

5) The highest balance, the end of year balance, the interest rates range, and total current year interest with respect to financing of funds: Table 1.

6) 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: None.

35. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on type of goods or services delivered or provided.

a. Thinking: : Mainly manufacturing, processing of electric devices, thermistors, varistors and wires.

b. Yenyo: Processing, selling and manufacturing diodes.

c. Thinking Changzhou: Manufacturing and processing thermistors, varistors, sensors and equipment.

The following was an analysis of the Group's revenue, results from operations, segment assets and segment liabilities by reportable segment:

	The Company	Yenyo	Thinking Changzhou	Others	Adjustment and Elimination	Consolidated Amount
For the Year ended December 31, 2019						
Revenues from external customers	$ 2,818,815	$ 217,197	$ 1,257,467	$ 1,520,753	$ -	$ 5,814,232
Inter-segment revenues	319,033	217	1,896,932	1,225,562	(3,441,744)	-
Segment revenues	$ 3,137,848	$ 217,414	$ 3,154,399	$ 2,746,315	$ (3,441,744)	$ 5,814,232

(Continued)

	The Company	Yenyo	Thinking Changzhou	Others	Adjustment and Elimination	Consolidated Amount
Segment income (loss)	$ 703,425	$ (1,848)	$ 342,310	$ 355,726	$ 49,288	$ 1,448,901
Other income and gains						200,640
Other expense and losses						(135,854)
Consolidated profit before income tax						1,513,687
Income tax						398,422
Consolidated net income						$ 1,115,265
December 31, 2019						
Segment assets	$ 3,018,792	$ 329,255	$ 4,249,562	$ 2,585,643	$ (1,432,737)	$ 8,750,515
Segment liabilities	$ 2,045,145	$ 26,114	$ 692,438	$ 811,475	$ (1,339,640)	$2,2335,532
For the Year ended December 31, 2018						
Revenues from external customers	$ 2,992,935	$ 261,362	$ 1,350,140	$ 1,415,512	$ -	$ 6,019,949
Inter-segment revenues	363,743	1,113	2,043,631	1,309,412	(3,717,899)	-
Segment revenues	$ 3,356,678	$ 262,475	$ 3,393,771	$ 2,724,924	$ (3,717,899)	$ 6,019,949
Segment income (loss)	$ 687,231	$ 8,181	$ 385,174	$ 337,136	$ (32,687)	$ 1,385,035
Other income and gains						275,937
Other expense and losses						(151,894)
Consolidated profit before income tax						1,509,078
Income tax						520,450
Consolidated net income						$ 988,628
December 31, 2018						
Segment assets	$ 3,039,871	$ 379,995	$ 4,019,651	$ 2,435,263	$ (1,628,833)	$ 8,245,947
Segment liabilities	$ 2,044,726	$ 76,119	$ 648,696	$ 889,355	$ (1,472,707)	$ 2,186,189

(Concluded)

Segment profit represents the profit before tax earned by each segment without share of profit of associates, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of investments, exchange gains or losses, valuation gains or losses on financial instruments and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

a. Revenue from major products

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

	For the Year Ended December 31	
	2019	2018
Revenue from sale of the passive components	$ 5,596,857	$ 5,758,481
Others	217,375	261,468
	$ 5,814,232	$ 6,019,949

b. Geographical information

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

The Group's revenue 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
China	$ 3,939,534	$ 4,298,322
Taiwan	463,523	266,271
Others	1,411,175	1,455,356
	$ 5,814,232	$ 6.019,949

	Non-current Assets	
	December 31	
	2019	2018
China	$ 1,709,436	$ 1,701,322
Taiwan	777,961	709,849
	$ 2,487,397	$ 2,411,181

Non-current assets exclude financial instruments, deferred income tax assets and net defined benefit assets.

c. Information about major customers

No single customer which sales revenue accounted for over 10% of the Group's consolidated operating revenue.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	Dongguan Welkin	Other receivables - related parties	Y	$ 68,783 (RMB 15,000 thousand)	$ -	$ -	5	Note 1	$ -	Operating capital	$ -	-	$ -	$ 1,911,418	$ 2,548,557	

Note 1: Short-term financing.

Note 2: The total amounts of financing provided should not exceed 40% of the stockholders' equity of the Company and financing should not exceed 20% of the stockholders' equity of the Company. For foreign companies of which the Company holds directly and indirectly 100% of the voting share, the financing provided to any single entity shall not exceed 100% of the Company's net equity worth.

TABLE 2

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED 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, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	Stock							
	ACPA TECHNOLOGY CO., LTD.	-	Financial assets at FVTOCI - non-current	2,469,130	$ 26,918	10.67	$ 26,918	
Thinking Changzhou	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - Industrial and Commercial Bank of China	-	Financial assets at FVTOCI - current	-	RMB39,650 thousand	-	RMB39,650 thousand	
	Principal non-guaranteed structured deposits with floating yields - China Construction Bank	-	Financial assets at FVTOCI - current	-	RMB55,000 thousand	-	RMB55,000 thousand	
	Principal non-guaranteed structured deposits with floating yields - Bank of Communications	-	Financial assets at FVTOCI - current	-	RMB 500 thousand	-	RMB 500 thousand	
	Principal non-guaranteed structured deposits with floating yields - Bank of China	-	Financial assets at FVTOCI - current	-	RMB53,500 thousand	-	RMB53,500 thousand	
	Principal non-guaranteed structured deposits with floating yields - Fubon Bank (China)	-	Financial assets at FVTOCI - current	-	RMB20,000 thousand	-	RMB20,000 thousand	
Thinking Yichang	RMB financial products							
	Principal guaranteed structured deposits with floating yields - Hubei Bank	-	Financial assets at FVTOCI - current	-	RMB23,000 thousand	-	RMB23,000 thousand	
	Principal guaranteed structured deposits with floating yields - Industrial and Commercial Bank of China	-	Financial assets at FVTOCI - current	-	RMB 5,000 thousand	-	RMB 5,000 thousand	
Jiangxi Thinking	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB25,710 thousand	-	RMB25,710 thousand	
Guangdong Welkin Thinking	RMB financial products							
	Principal non-guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB35,000 thousand	-	RMB35,000 thousand	
Dongguan Welkin	RMB financial products							
	Principal guaranteed structured deposits with floating yields - China Merchants Bank	-	Financial assets at FVTOCI - current	-	RMB29,700 thousand	-	RMB29,700 thousand	
	Principal guaranteed structured deposits with floating yields - E. Sun Commercial Bank	-	Financial assets at FVTOCI - current	-	RMB 1,000 thousand	-	RMB 1,000 thousand	

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note)	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Construction Bank		-	$ -	-	RMB160,000 thousand	-	RMB106,979 thousand	RMB105,000 thousand	RMB 1,979 thousand	-	RMB55,000 thousand
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Industrial and Commercial Bank of China		-	RMB36,000 thousand	-	RMB319,250 thousand	-	RMB344,673 thousand	RMB343,600 thousand	RMB 1,073 thousand	-	RMB11,650 thousand
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Industrial and Commercial Bank of China		-	RMB18,400 thousand	-	RMB 75,000 thousand	-	RMB 94,322 thousand	RMB 93,400 thousand	RMB 922 thousand	-	$ -
Thinking Changzhou	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	Bank of China		-	$ -	-	RMB 84,500 thousand	-	RMB 81,049 thousand	RMB 81,000 thousand	RMB 49 thousand	-	RMB 3,500 thousand
Jiangxi Thinking	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB 4,500 thousand	-	RMB 63,700 thousand	-	RMB 48,031 thousand	RMB 47,700 thousand	RMB 331 thousand	-	RMB20,500 thousand
Jiangxi Thinking	RMB financial products Principal non-guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB 3,520 thousand	-	RMB 84,830 thousand	-	RMB 83,269 thousand	RMB 83,140 thousand	RMB 129 thousand	-	RMB 5,210 thousand
Guangdong Welkin Thinking	RMB financial products Principal guaranteed structured deposits with floating yields	Financial assets at FVTOCI - current	China Merchants Bank		-	RMB15,000 thousand	-	RMB 60,000 thousand	-	RMB 40,719 thousand	RMB 40,000 thousand	RMB 719 thousand	-	RMB35,000 thousand

TABLE 4

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$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	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Receivable) Payable		Note
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	Thinking Changzhou	Subsidiary	Purchases	$ 821,814	44	90 days from the end of the month	$ -	-	$ (264,050)	(29)	Note
	Thinking Changzhou	Subsidiary	Sales	(299,024)	(10)	90 days from the end of the month	-	-	176,054	18	Note
	Thinking Yichang	Subsidiary	Purchases	151,188	8	90 days from the end of the month	-	-	(24,985)	(3)	Note
	Jiangxi Thinking	Subsidiary	Purchases	240,406	13	90 days from the end of the month	-	-	(62,031)	(7)	Note
	Dongguan Welkin	Subsidiary	Processing	443,804	24	From the end of the month when invoice is issued by T/T	-	-	(293,345)	(32)	Note
Thinking Changzhou	Jiangxi Thinking	Associate	Sales	(152,686)	(6)	90 days from the end of the month	-	-	61,868	6	Note
	Guangdong Welkin Thinking	Associate	Sales	(200,400)	(8)	90 days from the end of the month	-	-	70,925	7	Note
Thinking Yichang	Thinking Changzhou	Associate	Sales	(118,503)	(12)	90 days from the end of the month	-	-	49,787	14	Note
	Guangdong Welkin Thinking	Associate	Sales	(430,504)	(44)	90 days from the end of the month	-	-	133,749	39	Note
Guangdong Welkin Thinking	Dongguan Welkin	Associate	Processing	240,894	37	90 days from the end of the month	-	-	54,648	52	Note
Jiangxi Thinking	Thinking Yichang	Associate	Sales	160,369	32	90 days from the end of the month	-	-	52,457	34	Note

Note: All the above transactions were eliminated on consolidation.

TABLE 5

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$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)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Doubtful Accounts
					Amount	Actions Taken		
The Company	Thinking Changzhou	Subsidiary	$ 176,054 (Note)	2.07	$ -	-	$ 33,138	$ -
Thinking Changzhou	The Company	Parent company	264,050 (Note)	2.93	-	-	138,799	-
Thinking Yichang	Guangdong Welkin Thinking	Associate	133,749 (Note)	3.16	-	-	46,389	-
Dongguan Welkin	The Company	Parent company	293,345 (Note)	2.33	-	-	78,947	-

Note: All the above transactions were eliminated on consolidation.

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION OF 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		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2019	December 31, 2018	Shares/ Units	Percentage of ownership (%)	Carrying Amount			
The Company	Yenyo	Yilan	Processing, sales and manufacturing of diodes	$ 275,160	$ 275,160	21,232,508	52.61	$ 154,377	$ (1,562)	$ (806)	Note 1
	Greenish	British Virgin Island	Investment holding and international trading	242,300 (US$ 7,375 thousand)	242,300 (US$ 7,375 thousand)	7,374,997	100.00	1,742,627	162,782	187,712	Note 1
	Welljet	Belize	Investment holding and international trading	-	-	-	-	-	1,355	1,263	Note 2
	Saint East	Samoa	Investment holding and international trading	-	43,190 (US$ 1,350 thousand)	-	-	-	(417)	(1,203)	Note 3
	Thinking Holding	Cayman	Investment holding and international trading	770,212 (US$ 24,729 thousand)	770,212 (US$ 24,729 thousand)	24,728,858	100.00	1,847,773	323,456	325,294	Note 1
Subsidiary Greenish	Welljet	Belize	Investment holding and international trading	-	-	-	-	-	-	-	Note 2
Thinking Holding	Thinking International	Mauritius	Investment holding and international trading	195,017 (US$ 6,025 thousand)	195,017 (US$ 6,025 thousand)	6,025,000	100.00	783,966	185,110	185,110	
	Thinking (HK)	Hong Kong	Investment holding and international trading	311,109 (US$ 10,020 thousand)	311,109 (US$ 10,020 thousand)	10,020,000	100.00	531,165	50,682	50,682	
	View Full (Samoa)	Samoa	Investment holding and international trading	155,108 (US$ 5,055 thousand)	153,572 (US$ 5,005 thousand)	5,055,000	100.00	429,318	78,006	78,006	
	Thinking Samoa	Samoa	Investment holding and international trading	76,294 (US$ 2,599 thousand)	107,632 (US$ 3,599 thousand)	2,598,858	100.00	113,960	10,165	10,165	

Note 1: The share of profits or losses of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 2: Welljet had finished process of liquidation in October. The difference between Welljet’s net income and the amount recognized by the Company in investment loss was exchange difference on translation of foreign financial statements which had been reclassified into comprehensive income.

Note 3: SaintEast had finished process of liquidation in September. The difference between SainEast’s net income and the amount recognized by the Company in investment loss was exchange difference on translation of foreign statements which had been reclassified into comprehensive income.

Note 4: Information of investees located in mainland China, refer to Table 7.

THINKING ELECTRONIC INDUSTRIAL 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	Percentage of Ownership (Direct or Indirect Investment)	Share of profits/losses (Note 6)	Carrying Amount as of December 31, 2019 (Note 6)	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Thinking Changzhou	Manufacturing and selling thermistors, varistors and sensors	US$ 21,260 thousand	Note 1	$ 452,725	$ -	$ -	$ 452,725	$ 342,100	100	$ 389,491	$ 3,333,831	$ 739,210 (US$ 24,148)	Notes 9 and 10
Thinking Yichang	Manufacturing and selling thermistors, varistors and sensors	US$ 6,000 thousand	Note 2	194,170	-	-	194,170	185,183	100	185,183	783,729	-	Note 10
Jiangxi Thinking	Manufacturing and selling thermistors, varistors and sensors	US$ 10,000 thousand	Note 3	310,330	-	-	310,330	50,712	100	50,712	530,844	-	Note 10
Guangdong Welkin Thinking	Manufacturing and selling thermistors, varistors and sensors	US$ 5,000 thousand	Note 4	153,547	-	-	153,547	78,054	100	78,054	427,825	-	Note 10
Dongguan Welkin	Manufacturing and processing thermistors, varistors, sensors and equipment	RMB 35,013 thousand	Note 5	75,535	-	-	75,535	37,863	100	37,863	473,695	-	Note 10

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 2)
$1,186,307 (US$37,209 thousand)	$840,470 (US$27,997 thousand) (Note 7)	$3,822,836 (Note 8)

Note 1: Indirectly investment in mainland China through Greenish which was registered in the third area. The Company increased the amount of indirect investments in mainland China through Greenish since 2003.

Note 2: Indirectly investment in mainland China through companies registered in the third area (Thinking International).

Note 3: Indirectly investment in mainland China through companies registered in the third area (Thinking HK).

Note 4: Indirectly investment in mainland China through companies registered in the third area (View Full Samoa).

Note 5: Indirectly investment in mainland China through companies registered in the third area (Thinking Samoa).

Note 6: Financial report had been audited by ultimate parent company's certified public accountant.

Note 7: Indirectly investment in mainland China through companies registered in the third area. The investment amount approved by MOEA was US$39,478 thousand. The remaining amount had deducted earnings repatriation which was approximately US$11,481 thousand. The balance amount at December 31, 2019 was based on USD to TWD exchange rate of 30.02.

Note 8: The investment amounts authorized by Investment Commission were calculated as follows:

$6,371,393×60%＝$3,822,836

Note 9: The Company recognized share of profits of Thinking Changzhou was $184,591 thousand, and Greenish recognized share of profits of Thinking Changzhou was $204,900 thousand. Total amount of share of profits was $389,491 thousand. The difference between total amount of share of profits and the net income of Thinking Changzhou resulted from unrealized gross profit on intercompany transactions.

Note 10: All the above transactions were eliminated on consolidation.

TABLE 8

THINKING ELECTRONIC INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
0	The Company	Thinking Changzhou	1	Sales	$ 299,024	Pricing by cost or cost-plus practice	5
		Thinking Changzhou	1	Purchases	821,814	Pricing by cost or cost-plus practice	14
		Thinking Changzhou	1	Accounts receivable	176,054	90 days from the end of the month when invoice is issued	2
		Thinking Changzhou	1	Accounts payable	264,050	90 days from the end of the month when invoice is issued	3
		Thinking Yichang	1	Sales	20,009	Pricing by cost or cost-plus practice	-
		Thinking Yichang	1	Purchases	151,188	Pricing by cost or cost-plus practice	3
		Thinking Yichang	1	Accounts receivable	8,831	90 days from the end of the month when invoice is issued	-
		Thinking Yichang	1	Other receivable	426	90 days from the end of the month when invoice is issued	-
		Thinking Yichang	1	Accounts payable	24,985	90 days from the end of the month when invoice is issued	-
		Dongguan Welkin	1	Interest income	150	For one year financing provided	-
		Dongguan Welkin	1	Other payable	293,345	From the end of the month when invoice is issued by T/T	3
		Dongguan Welkin	1	Processing expense	443,804	Note 2	8
		Jiangxi Thinking	1	Purchases	240,406	Pricing by cost or cost-plus practice	4
		Jiangxi Thinking	1	Accounts payable	62,031	90 days from the end of the month when invoice is issued	1
1	Thinking Changzhou	Thinking Yichang	2	Sales	47,016	Pricing by cost or cost-plus practice	1
		Thinking Yichang	2	Purchases	118,503	Pricing by cost or cost-plus practice	2
		Thinking Yichang	2	Accounts receivable	15,540	90 days from the end of the month when invoice is issued	-
		Thinking Yichang	2	Accounts payable	49,787	90 days from the end of the month when invoice is issued	1

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
		Jiangxi Thinking	2	Sales	$ 152,686	Pricing by cost or cost-plus practice	3
		Jiangxi Thinking	2	Purchases	24,114	Pricing by cost or cost-plus practice	-
		Jiangxi Thinking	2	Accounts receivable	61,868	90 days from the end of the month when invoice is issued	1
		Jiangxi Thinking	2	Accounts payable	9,364	90 days from the end of the month when invoice is issued	-
		Guangdong Welkin Thinking	2	Sales	200,400	Pricing by cost or cost-plus practice	3
		Guangdong Welkin Thinking	2	Purchases	3,779	Pricing by cost or cost-plus practice	-
		Guangdong Welkin Thinking	2	Accounts receivable	70,925	90 days from the end of the month when invoice is issued	1
		Guangdong Welkin Thinking	2	Accounts payable	2,902	90 days from the end of the month when invoice is issued	-
		Dongguan Welkin	2	Purchases	10,619	Pricing by cost or cost-plus practice	-
		Dongguan Welkin	2	Accounts payable	2,437	90 days from the end of the month when invoice is issued	-
		Yenyo	2	Purchases	191	Pricing by cost or cost-plus practice	-
		Yenyo	2	Accounts payable	24	90 days from the end of the month when invoice is issued	-
2	Thinking Yichang	Guangdong Welkin Thinking	2	Sales	430,504	Pricing by cost or cost-plus practice	7
		Guangdong Welkin Thinking	2	Purchases	2,030	Pricing by cost or cost-plus practice	-
		Guangdong Welkin Thinking	2	Accounts receivable	133,749	90 days from the end of the month when invoice is issued	2
		Guangdong Welkin Thinking	2	Accounts payable	679	90 days from the end of the month when invoice is issued	-
		Dongguan Welkin	2	Sales	5,973	Pricing by cost or cost-plus practice	-
		Dongguan Welkin	2	Purchases	13,130	Pricing by cost or cost-plus practice	-
		Dongguan Welkin	2	Accounts receivable	2,038	90 days from the end of the month when invoice is issued	-
		Dongguan Welkin	2	Accounts payable	3,875	90 days from the end of the month when invoice is issued	-
		Jiangxi Thinking	2	Purchases	160,369	Pricing by cost or cost-plus practice	3
		Jiangxi Thinking	2	Accounts payable	52,457	90 days from the end of the month when invoice is issued	1

(Continued)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets
3	Jiangxi Thinking	Guangdong Welkin Thinking	2	Sales	$ 87,317	Pricing by cost or cost-plus practice	2
		Guangdong Welkin Thinking	2	Purchases	2	Pricing by cost or cost-plus practice	-
		Guangdong Welkin Thinking	2	Accounts receivable	28,777	90 days from the end of the month when invoice is issued	-
4	Guangdong Welkin Thinking	Dongguan Welkin	2	Processing	240,894	Note 2	4
		Dongguan Welkin	2	Accounts payable	54,648	90 days from the end of the month when invoice is issued	1

(Concluded)

Note 1: Transactions are categorized as follows:

1) Transactions from parent company to a subsidiaries.

2) Transactions between subsidiaries.

Note 2: Transaction amounts were not comparable due to the Company had no other consigned processing business with non-related parties.