Stock Code:4545

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of Min Aik Precision Industrial Co., Ltd. :

Opinion

We have audited the financial statements of Min Aik Precision Industrial Co., Ltd. ("the Company"), which comprise the parent company only balance sheets statement of financial position as of December 31, 2019 and 2018, the parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion. The key audit matters that, in our professional judgement, should be communicated are as follow:

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Inventory valuation

   Please refer to Note 4(g) "Inventory" and 5(a) of the notes to financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

The Company's inventory are measured at lower of cost and net realized value. The Company’s products may be obsolescent or do not meet the market requirement due to new product release or market change. Thus, the cost of inventory may exceed its net realizable value. Moreover, the sales ability of products may affect the inventory valuation, which also need to be taken into serious consideration. Therefore, the inventory valuation is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Company’ s policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Company’ s inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

2. Investments accounted for using equity method

Please refer to Notes 4(h) “Investment in associates” and Notes 5(b) of the notes to financial statement for the accounting policies on investment in associates and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

The subsidiaries that accounted for using equity method, inventory valuation is material to the parent company only financial statements. The abovementioned valuation may have significant impact to the Company’s operating results. Therefore, the inventory of the subsidiaries is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the subsidiaries’s policies of inventory valuation to assess the appropriateness of its inventory valuation; testing, on a sampling basis, the subsidiary’ s inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period 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 Cheng-Chien Chen and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 27, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018				December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**		**Liabilities and Equity**	**Amount**	**%**	**Amount**	**%**
	Current assets:						**Current liabilities:**				
1100	Cash and cash equivalents (notes 6(a))	$ 317,854	12	417,477	15	2100	Short-term borrowings (note 6(h))	$ 100,000	4	140,000	5
1170	Notes and accounts receivable, net (notes 6(c) and (p))	83,536	3	116,414	4	2170	Accounts payable	113,105	4	126,820	5
1181	Accounts receivable from related parties (notes 6(c) and 7)	153,766	6	143,965	5	2201	Salaries and wages payable	52,030	2	59,498	2
130X	Inventories (notes 6(d))	99,603	4	135,286	5	2300	Other current liabilities (note 7)	87,426	4	97,086	3
1479	Other current assets (notes 7 and 8)	44,303	2	41,090	1	2280	Current lease liabilities (note 6(j))	626	-	-	-
		699,062	27	854,232	30	2322	Long-term borrowings, current portion (note 6(i))	64,000	2	98,000	4
	Non-current assets:							417,187	16	521,404	19
1536	Non-current financial assets at amortized cost (note 6(b))	91,019	4	-	-		**Non-Current liabilities:**				
1551	Investments accounted for using equity method (note 6(e))	850,850	33	955,135	35	2541	Long-term borrowings (note 6(i))	432,000	17	462,000	17
1600	Property, plant and equipment (notes 6(f), 7 and 8)	890,111	34	914,946	33	2570	Deferred tax liabilities (note 6(m))	18,285	1	50,822	2
1755	Right-of-use assets (note 6(g))	1,100	-	-	-	2580	Non-current lease liabilities (note 6(j))	480	-	-	-
1995	Other non-current assets (notes 6(l) and (m))	48,218	2	39,073	2			450,765	18	512,822	19
		1,881,298	73	1,909,154	70		**Total liabilities**	867,952	34	1,034,226	38
							Equity attributable to owners of parent (note 6(n)):				
						3110	Ordinary share	770,000	30	770,000	28
						3200	Capital surplus	704,385	27	731,335	26
						3310	Legal reserve	230,904	9	284,874	10
						3320	Special reserve	61,868	2	61,868	2
						3350	Unappropriated retained earnings	15,377	1	(53,970)	(2)
						3412	Exchange differences on translation of foreign financial statements	(70,126)	(3)	(64,947)	(2)
							Total equity	1,712,408	66	1,729,160	62
	Total assets	**$ 2,580,360**	**100**	**2,763,386**	**100**		**Total liabilities and equity**	**$ 2,580,360**	**100**	**2,763,386**	**100**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2019		2018	
		Amount	**%**	**Amount**	**%**
4111	Operating revenue (notes 6(p) and 7)	$ 917,843	102	1,053,656	102
4170	Less: Sales returns and allowances	14,288	2	21,360	2
	Net operating revenue	903,555	100	1,032,296	100
5111	Operating costs (notes 6(d), (j), (k), (l), 7 and 12)	759,103	84	923,336	89
	Gross profit from operations	144,452	16	108,960	11
	Operating expenses (notes 6(c), (j), (k), (l), 7 and 12):				
6100	Selling expenses	29,544	3	36,660	4
6200	Administrative expenses	95,647	11	106,460	10
6300	Research and development expenses	34,190	3	33,460	3
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(331)	-	878	-
	Total operating expenses	159,050	17	177,458	17
	Net operating losses	(14,598)	(1)	(68,498)	(6)
	Non-operating income and expenses (notes 6(e), (f), (r) and 7):				
7010	Other income	9,611	1	12,293	1
7020	Other gains and losses, net	(13,654)	(2)	11,356	1
7375	Share of profit of associates and joint ventures accounted for using equity method	1,527	-	7,995	1
7050	Finance costs	(9,278)	(1)	(7,880)	(1)
		(11,794)	(2)	23,764	2
7900	**Loss before tax income**	(26,392)	(3)	(44,734)	(4)
7950	Less: Income tax expenses (income) (note 6(m))	(40,552)	(5)	12,033	1
	Net profit (loss)	14,160	2	(56,767)	(5)
8300	**Other comprehensive income (loss):**				
8310	**Item that may not be reclassified subsequently to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	1,217	-	814	-
		1,217	-	814	-
8360	**Item that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(5,179)	(1)	(3,079)	-
	Components of other comprehensive income that will be reclassified to profit or loss	(5,179)	(1)	(3,079)	-
8300	**Other comprehensive income (loss), net of income tax**	(3,962)	(1)	(2,265)	-
	Total comprehensive income (loss)	**$ 10,198**	**1**	**(59,032)**	**(5)**
9750	**Basic earnings (loss) per share (NT dollars) (note 6(o))**	**$**	**0.18**		**(0.74)**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2018	$ 770,000	758,285	283,223	56,380	20,672	(61,868)	1,826,692
Profit (loss)	-	-	-	-	(56,767)	-	(56,767)
Other comprehensive income	-	-	-	-	814	(3,079)	(2,265)
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	1,651	-	(1,651)	-	-
Special reserve	-	-	-	5,488	(5,488)	-	-
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)
Balance on December 31, 2018	770,000	731,335	284,874	61,868	(53,970)	(64,947)	1,729,160
Profit (loss)	-	-	-	-	14,160	-	14,160
Other comprehensive income	-	-	-	-	1,217	(5,179)	(3,962)
Total comprehensive income (loss)	-	-	-	-	15,377	(5,179)	10,198
Appropriation and distribution of retained earnings:							
Legal reserve used to offset accumulated deficits	-	-	(53,970)	-	53,970	-	-
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)
Balance on December 31, 2019	**$ 770,000**	**704,385**	**230,904**	**61,868**	**15,377**	**(70,126)**	**1,712,408**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Loss before income tax	$ (26,392)	(44,734)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	73,708	79,104
Expected credit loss (gain)	(331)	878
Interest expense	9,278	7,880
Interest income	(1,235)	(1,148)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,527)	(7,995)
Loss (profit) on disposal or retirement of property, plant and equipment	(38)	325
Impairment loss on non-financial assets	1,185	12,444
Total adjustments to reconcile profit	81,040	91,488
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	23,408	87,113
Inventories	35,355	(26,534)
Other current assets	(3,776)	2,832
Other operating assets	(1,951)	(1,042)
Total changes in operating assets	53,036	62,369
Changes in operating liabilities:		
Accounts payable	(13,715)	(34,407)
Other current liabilities	(12,807)	(38,169)
Total changes in operating liabilities	(26,522)	(72,576)
Total changes in operating assets and liabilities	26,514	(10,207)
Total adjustments	107,554	81,281
Cash inflow generated from operations	81,162	36,547
Interest received	1,235	1,229
Interest paid	(9,594)	(6,157)
Income taxes paid	(10,725)	(2,723)
Net cash flows from operating activities	62,078	28,896
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized cost	(91,019)	-
Acquisition of investments accounted for using equity method	-	(66,479)
Cash dividends from investment accounted for using equity method	100,633	-
Acquisition of property, plant and equipment	(41,559)	(742,607)
Proceeds from disposal of property, plant and equipment	38	7
Decrease (increase) in refundable deposits	3,175	(1,017)
Increase in other financial assets	-	(730)
Net cash flows used in investing activities	(28,732)	(810,826)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowing	(40,000)	(10,000)
Increase in long-term borrowing	-	510,000
Repayments of long-term borrowing	(64,000)	-
Payment of lease liabilities	(2,019)	-
Cash dividends paid	(26,950)	(38,500)
Net cash flows from (used in) financing activities	(132,969)	461,500
Net decrease in cash and cash equivalents	(99,623)	(320,430)
Cash and cash equivalents at beginning of period	417,477	737,907
Cash and cash equivalents at end of period	$ **317,854**	**417,477**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Min Aik Precision Industrial Co., Ltd. (the "Company") was incorporated on January 18, 2001, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company's shares were listed on the Taiwan Stock Exchange (TWSE) on January 6, 2016. The address of its registered office is No. 2, Guorui Rd., Guanyin Dist., Taoyuan City. The Company mainly engages in the processing and manufacturing of electroplating of aluminum and copper products, precision stamping components and electroless nickel plating.

(2) Approval date and procedures of the financial statements:

These parent company only financial statements were authorized for issuance by the Board of Directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

(Continued)

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(j).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of staff dorm, leases classified as operating leases under IAS 17.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

— their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

(Continued)

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional $3,649 thousands of right-of-use assets and $3,316 thousands of lease liabilities (deduct $333 thousands of prepayment). When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.18%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 3,415
Other adjustment	393
	$ 3,808
Discounted using the incremental borrowing rate at January 1, 2019	$ 3,649
Prepaid rents	(333)
Lease liabilities recognized at January 1, 2019	$ 3,316

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

On transition, the Company estimated the application of the new standard will not affect the deferred tax liabilities and the retained earnings respectively.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date 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

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss are measured at fair value;

2) The defined benefit assets are measured at the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

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

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash, and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 120 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity in the parent company only financial statements are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in parent’s ownership interest in a subsidiary that do not result in the loss of control are recognized under equity.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings: 50 years

2) Building facilities: 3~5 years

3) Machinery and equipment: 2~10 years

4) Office and other equipment：2~15 years

5) Leasehold improvement：2~10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(j) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise an extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Under the operating leases, all payments are recognized as lease expenses, and the leased assets are not recognized in the consolidated statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(k) Impairment – non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and the assets arising on employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(m) Revenue recognized

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

The Company manufactures and sells electronic components to computer and automobile manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company’s net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the Company and employees reach a consensus in the subscription price and number of shares.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(Continued)

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potential dilutive ordinary shares. Such as employee bonuses not yet resolved by the shareholders.

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments made in applying accounting policies that have any significant effects on the amounts recognized in the Company's financial statements.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(d) for further description of the valuation of inventories.

(Continued)

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(b) Inventory valuation of subsidiary which accounted for using the equity method.

The subsidiaries that accounted for using equity method, whose inventories stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

The Company' s accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company' s financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(s) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash in hand, check, and demand deposits	$ 317,854	417,477
Cash and cash equivalents in the statement of cash flows	**$ 317,854**	**417,477**

Please refer to note 6(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Non-current financial assets at amortized cost

	December 31, 2019	December 31, 2018
Restricted bank deposits	**$ 91,019**	**-**

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On December 5, 2019, the Company applied to IRS for the application of “The Management , Utilization and Taxation of Repatriated Offshore Funds Act” .The application had been approved and the dividend had been remitted back to the parent subsequently. According to the Act, the funds need to be deposited in a special-purpose account for five years and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for the project investment plan approved by the Ministry of Economic Affairs. Otherwise, the funds can only be redeemed within 3 consecutive year on average after the five years maturity. The Company has applied to the Ministry of Economic Affairs for substantial investments that were expected to be used for plant expansion and capital expenditure.

For credit risk, please refer to note 6(s).

(c) Notes and Accounts receivable (include related parties)

	December 31, 2019	December 31, 2018
Notes receivable from operating activities	$ 264	-
Accounts receivable	84,129	117,602
Accounts receivable from related parties	153,766	143,965
Less: Loss allowance	(857)	(1,188)
	$ 237,302	260,379

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision for notes and accounts receivables was determined as follows:

	December 31, 2019		
Notes and Accounts receivable -non-related parties	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 82,742	1%	840
Past due (days):			
0 to 60	1,651	1%	17
61 to 120	-	5%	-
121 to 180	-	20%	-
181 to 360	-	50%	-
More than 360	-	100%	-
	$ 84,393		857

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	December 31, 2019		
Accounts receivable -related parties	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 153,766	0%	-
Past due (days):			
0 to 60	-	0%	-
61 to 120	-	0%	-
121 to 180	-	0%	-
181 to 360	-	0%	-
More than 360	-	0%	-
	$ 153,766		**-**

	December 31, 2018		
Accounts receivable -non-related parties	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 109,867	1%	1,111
Past due (days):			
0 to 60	7,735	1%	77
61 to 120	-	5%	-
121 to 180	-	20%	-
181 to 360	-	50%	-
More than 360	-	100%	-
	$ 117,602		**1,188**

	December 31, 2018		
Accounts receivable -related parties	**Gross carrying amount**	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 143,965	0%	-
Past due (days):			
0 to 60	-	0%	-
61 to 120	-	0%	-
121 to 180	-	0%	-
181 to 360	-	0%	-
More than 360	-	0%	-
	$ 143,965		**-**

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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The movement in the allowance for accounts receivable was as follows:

	2019	2018
Balance on January 1, 2019 and 2018	$ 1,188	310
Impairment losses recognized (Gain on reversal of impairment loss)	(331)	878
Balance on December 31, 2019, and 2018	**$ 857**	**1,188**

As of December 31, 2019 and 2018, the Company did not provide any notes and accounts receivable as collateral for its loans.

Please refer to note(s) for other credit risk.

(d) Inventories

	December 31, 2019	December 31, 2018
Raw materials and supplies	$ 22,990	19,810
Work in progress	23,272	20,550
Finished goods	53,341	94,926
	$ 99,603	**135,286**

The detail of the cost of sales were as follows:

	2019	2018
Inventory that has been sold	703,265	879,670
Write down of inventories	1,486	12,434
Abnormal amounts of production cost of inventories	52,303	28,888
Others	2,049	2,344
	759,103	**923,336**

As of December 31, 2019, and 2018, the Company did not provide any inventories as collateral for its loans.

(e) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2019	December 31, 2018
Esteem King Limited (Esteem King)	$ 840,618	944,079
Evolution Holdings Limited (Evolution)	10,232	11,056
	$ 850,850	**955,135**

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		2019	2018
Attributable to the Company:			
Profit for the year	$	1,527	7,995

The Company recognized investment income (losses) based on subsidiaries' financial statements with same fiscal period that was audited by the Certified Public Accountant.

Such investment accounted for using equity method does not have a quoted market price in an active market.

As of December 31, 2019 and 2018, the Company did not provide any investments accounted for using the equity method as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Land	Buildings and structures	Machinery and equipment	Office and other facilities	Construction in progress and testing equipment	Total
Cost or deemed cost:							
Balance on January 1, 2019	$	596,362	154,333	616,197	244,102	9,832	1,620,826
Additions		-	-	19,554	19,821	2,028	41,403
Disposal		-	-	(8,554)	(1,660)	-	(10,214)
Transfer		-	-	7,684	1,845	(9,529)	-
Balance on December 31, 2019	**$**	**596,362**	**154,333**	**634,881**	**264,108**	**2,331**	**1,652,015**
Balance on January 1, 2018	$	26,721	45,388	556,386	235,780	27,777	892,052
Additions		569,641	108,945	35,153	10,276	14,837	738,852
Disposal		-	-	(3,629)	(6,449)	-	(10,078)
Transfer		-	-	28,287	4,495	(32,782)	-
Balance on December 31, 2018	**$**	**596,362**	**154,333**	**616,197**	**244,102**	**9,832**	**1,620,826**
Depreciation and impairments loss:							
Balance on January 1, 2019	$	-	7,005	499,631	199,244	-	705,880
Depreciation		-	3,824	41,262	19,967	-	65,053
Disposal		-	-	(8,554)	(1,660)	-	(10,214)
Impairment loss		-	-	1,185	-	-	1,185
Balance on December 31, 2019	**$**	**-**	**10,829**	**533,524**	**217,551**	**-**	**761,904**
Balance on January 1, 2018	$	-	3,726	444,384	185,629	-	633,739
Depreciation		-	3,279	46,254	19,910	-	69,443
Disposal		-	-	(3,451)	(6,295)	-	(9,746)
Impairment loss		-	-	12,444	-	-	12,444
Balance on December 31, 2018	**$**	**-**	**7,005**	**499,631**	**199,244**	**-**	**705,880**
Carrying amounts:							
Balance on December 31, 2019	**$**	**596,362**	**143,504**	**101,357**	**46,557**	**2,331**	**890,111**
Balance on January 1, 2018	**$**	**26,721**	**41,662**	**112,002**	**50,151**	**27,777**	**258,313**
Balance on December 31, 2018	**$**	**596,362**	**147,328**	**116,566**	**44,858**	**9,832**	**914,946**

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The Company entered into a contract with Taitien Asset Development Co., Ltd. (Taitien) on January 26, 2018, to purchase the land and buildings (No.2 Guorui Rd., Guanyin Dist., Taoyuan City), which were originally rented for its office and plant with $680,000 thousand. The Company referred to the transaction information of nearby real estate market and the real estate appraisal report, and then negotiated with Taitien to decide the purchase price. The ownership of the land and building has been transferred to the Company and completed registration on March 28, 2018. The Company recognized the land and buildings as property, plant and equipment, and borrow the long-term borrowings in compliance with its operating and financial plan. Please refer to note 6(i) for details.

In 2019 and 2018, the Company concluded that some of the machinery and equipment are in an insufficient capacity utilization, and the future economic benefits may not be recovered after the Company's assessment, leading to a recoverable amount wrote down to $0. Therefore, the Company recognized impairment loss amounting to $1,185 thousand and $12,444 thousand, which report as non-operating expense, respectively.

As of December 31, 2019 and 2018, for the Company pledged property, plant and equipment as collateral for long-term borrowings, please refer to Note 8.

(g) Right-of-use assets

The Company leases many assets including buildings and structures, office and other facilities. Information about leases for which the Company as a lessee is presented below:

	Buildings and structures	Office and other facilities	Total
Cost:			
Balance of January 1, 2019	$ 726	2,923	3,649
Additions	-	197	197
Disposal	-	(1,295)	(1,295)
Balance on December 31, 2019	**$ 726**	**1,825**	**2,551**
Accumulated depreciation and impairment losses:			
Balance of January 1, 2019	$ -	-	-
Depreciation	670	1,689	2,359
Disposal	-	(908)	(908)
Balance on December 31, 2019	**$ 670**	**781**	**1,451**
Carrying amount:			
Balance on December 31, 2019	**$ 56**	**1,044**	**1,100**

The Company leases buildings and structures, office and other facilities under an operating lease for the year ended December 31, 2018, please refer to note 6(k).

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(h) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 100,000	140,000
Unused short-term credit lines	$ 389,700	516,177
Range of interest rates	1%	1%

(i) Long-term borrowings

The details were as follows:

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 50,000	50,000
Secured bank loans	446,000	510,000
Less: current portion	(64,000)	(98,000)
Total	$ 432,000	462,000
Unused long-term credit lines	$ 114,000	50,000
Range of interest rates	1.18%~1.518%	1.18%~1.612%

According to the Company's operating and financial plan, the Company entered into a long-term borrowings agreement with Cathay United Bank on April 16, 2018, and drawdown of loan to purchase the property, plant and equipment simultaneously. Please refer to note 6(f) for details.

For the collateral for long-term borrowings, please refer to note 8.

(j) Lease Liabilities

The details were as follows:

	December 31, 2019
Current	$ 626
Non-current	$ 480

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 25
Expenses relating to short-term leases	$ 635

The amounts recognized in the statement of cash flows was as follows:

	2019
Total cash outflow for leases	**$ 2,679**

(i) Buildings and structures leases

As of December 31, 2019, the Company leases buildings and structures for its offices. The leases of them typically run for a period of 2 to 5 years. Some leases contain extension options exercisable up to the same period as original contract before the end of the contract period.

(ii) Other leases

The Company leases offices and transportation equipment, with lease terms of 2 to 5 years. Some leases contain extension options exercisable up to the same period as original contract before the end of the contract period.

(k) Operating lease

Non-cancellable operating lease rentals payable was as follows:

	December 31, 2018
Less than one year	$ 2,596
Between one and five years	819
	$ 3,415

The Company leases a number of transportation equipment and offices under operating lease with an option to renew the lease after that date.

(l) Employee benefit

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$ (25,495)	(26,118)
Fair value of plan assets	48,231	45,687
Net defined benefit assets	**$ 22,736**	**19,569**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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1) Composition of plan assets

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

The Company' s Bank of Taiwan labor pension reserve account balance amounted to $48,231 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows

	2019	2018
Defined benefit obligations at January 1	$ 26,118	25,339
Current service costs and interest cost (income)	(681)	408
Remeasurements loss (gain):		
—Return on plan assets excluding interest income	(1,050)	(223)
—Actuarial loss (gain) arising from:		
-demographic assumptions	229	99
-financial assumptions	1,144	495
Benefits planned to be paid	(265)	-
Defined benefit obligations at December 31	**$ 25,495**	**26,118**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2019	2018
Fair value of plan assets at January 1	$ 45,687	43,052
Interest income	519	545
Remeasurements loss (gain):		
—Return on plan assets excluding interest income	1,540	1,184
Benefits paid	750	906
Benefits planned has been paid	(265)	-
Fair value of plan assets at December 31	**$ 48,231**	**45,687**

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4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

		2019	2018
Current service costs	$	(975)	92
Net interest of net liabilities (assets) for defined benefit obligations and plan assets		(225)	(228)
	$	(1,200)	(136)
Operating cost	$	(1,200)	(136)

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019.12.31	2018.12.31
Discount rate	0.800 %	1.125 %
Future salary increase rate	3.125 %	3.125 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $750 thousand.

The weighted average lifetime of the defined benefits plans is 11 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit plan assets	
Original actuarial assumptions	Increased 0.5%	Decreased 0.5%
December 31, 2019		
Discount rate 0.800%	877	(927)
Future salary increasing rate 3.125%	(876)	839
December 31, 2018		
Discount rate 1.125%	983	(1,042)
Future salary increasing rate 3.125%	(988)	942

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

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(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $10,113 thousands and $13,378 thousands for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

(i) The components of income tax in the years 2019 and 2018 were as follows:

	2019	2018
Current tax	$ 7,103	-
Deferred tax	(47,655)	12,033
Income tax expense (income)	**$ (40,552)**	**12,033**

(ii) The amount of income tax recognized directly in equity or other comprehensive income for 2019 and 2018 was 0.

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	2019	2018
Loss excluding income tax	$ (26,392)	(44,734)
Income tax using the Company's domestic tax rate	(5,278)	(8,947)
Overstated or underestimate	(1,148)	-
Tax incentives	(11,892)	-
Adjustment in tax rate	-	6,038
None-deduct expenses	322	445
Change in unrecognized temporary differences	(22,556)	14,497
	$ (40,552)	**12,033**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company's foreign subsidiaries have retained earnings, because of the demand of capital expenditures and working capital. The Company expects that some of these retained earnings will not be returned back to the Company in the foreseeable future under the consideration of Company's integral development and investment plan. Hence, the temporary differences are not recognized under deferred tax liabilities. As of December 31, 2019 and 2018, the unrecognized deferred tax liabilities amount was $26,090 thousand and $13,595 thousand, respectively.

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2) Unrecognized deferred tax assets

	December 31, 2019	December 31, 2018
Tax effect of deductible temporary differences	$ -	3,396
The carry forward of unused tax losses	10,507	17,504
	$ 10,507	20,900

The R.O.C. Income Tax Act and subsidiaries tax jurisdiction allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2019, the information of the Company's tax losses are as follows, and the Company's unused tax losses for which no deferred tax assets were 52,534 thousand.

Year of loss	Unused tax loss	Expiry date
2017 (Approved)	$ 11,205	2027
2018 (Filed)	68,134	2028
2019 (Estimation)	19,210	2029

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

	Unrealized exchange gain	Gain on foreign investments under the equity method	Total
Deferred Tax Liabilities:			
Balance at January 1, 2019	$ 221	50,601	50,822
Recognized in profit or loss	(221)	(32,316)	(32,537)
Balance at December 31, 2019	$ -	18,285	18,285
Balance at January 1, 2018	$ -	41,652	41,652
Recognized in profit or loss	221	8,949	9,170
Balance at December 31, 2018	$ 221	50,601	50,822

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	Unrealized exchange loss	Unused tax losses carry forwards	Unrealized inventory loss	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2019	$ -	-	(3,271)	(1,304)	(4,575)
Recognized in profit or loss	(1,958)	(9,203)	(482)	(3,475)	(15,118)
Balance at December 31, 2019	$ **(1,958)**	**(9,203)**	**(3,753)**	**(4,779)**	**(19,693)**
Balance at January 1, 2018	$ (5,047)	-	(2,391)	-	(7,438)
Recognized in profit or loss	5,047	-	(880)	(1,304)	2,863
Balance at December 31, 2018	$ -	-	**(3,271)**	**(1,304)**	**(4,575)**

(v) Examination and Approval

The Company’s tax returns for the years through 2017 were examined and approved by the Taipei National Tax Administration.

(n) Capital and other equity

As of December 31, 2019 and 2018, the total value of authorized ordinary shares both were amounted to $1,000,000 thousand with par value of $10 per share. As of that date, ordinary shares both were issued amounted to $770,000 thousand.

(i) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share premium	$ 654,099	681,049
Reorganization	42,439	42,439
Employee share options	7,847	7,847
	$ **704,385**	**731,335**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

The general meeting of shareholders that held on Jane 13, 2019 and Jane 15, 2018, decided to distribute capital surplus resulting from share premium as cash dividends amounted to $26,950 thousand with $0.35 per share.

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(ii) Retained earnings

The Company's Articles of Incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

In consideration of the shareholder's long-term benefit and stable operation, the Company adopts a stable dividends policy. Therefore, cash dividends should not be less than 10% of the aggregate dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The Company has accumulated deficits, so no earnings distribution in 2018. Earnings distribution for 2017 was decided via the general meeting of shareholders held on Jane 15, 2018. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to ordinary shareholders				
Cash	$ -	-	0.15	**11,550**

Earnings distributions for 2017 that decided by the general meeting of shareholders were not different from the resolution of board meeting. Related information would be available at the Market Observation Post System website.

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(o) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2019 and 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

	2019	2018
Basic earnings (loss) per share		
Profit (loss) attributable to ordinary shareholders of the Company	$ 14,160	(56,767)
Weighted-average number of ordinary shares (thousand shares)	77,000	77,000
Basic earnings (loss) per share	$ 0.18	(0.74)

(ii) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares in 2019 and 2018. Thus, only basic earnings per share is disclosed.

(p) Revenue from contracts with customers

(i) Details of revenue

	2019	2018
Primary geographical markets		
Malaysia	$ 417,596	505,704
Taiwan	234,144	248,185
Thailand	131,514	150,153
China	36,827	80,149
Others	83,474	48,105
	$ 903,555	1,032,296

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivable	$ 238,159	261,567	348,680
Less: allowance for impairment	(857)	(1,188)	(310)
Total	$ 237,302	260,379	348,370

For details on accounts receivable and allowance for impairment, please refer to note 6(c).

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(q) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation the Company should contribute 3%~9% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Company did not estimate employee compensation and directors’ and supervisors’ remuneration due to loss before income tax for the year ended December 31, 2019 and December 31, 2018. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during this period. Related information would be available at the Market Observation Post System website.

(r) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	2019	2018
Interest income	$ 1,235	1,148
Rent income	3,052	3,839
Other income	5,324	7,306
	$ 9,611	**12,293**

(ii) Other gains and losses

The details of other gains and losses were as follows:

	2019	2018
Foreign exchange gains (losses), net	$ (12,507)	18,090
Gain (Losses) on disposals of property, plant and equipment, net	38	(325)
Loss on non-financial assets impairment	(1,185)	(12,444)
Others	-	6,035
	$ (13,654)	**11,356**

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(s) Financial instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which is derived primarily from the Company' s accounts receivable.

1) Credit risk exposure

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2019 and 2018, the maximum amounts that exposed to credit risk were $652,644 thousand and $687,355 thousand, respectively. Since the Company's bank deposits are deposited in many different finance institutions with good credit rating. Therefore, there is no significant credit risk.

2) Concentration of credit risk

The concentration of credit risk is mainly affected by creditors' rating and the client's industry. As of December 31, 2019 and 2018, 94% and 91%, respectively, of the Company's accounts receivable were concentrated on top five sales clients.

3) Please refer to note 6(c) for the details of the accounts receivable aging and loss allowance.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2019						
Non-derivative financial liabilities						
Bank loans	$ 596,000	621,310	172,435	119,273	201,875	127,727
Accounts payable (including related parties)	113,105	113,105	113,105	-	-	-
Lease liabilities	1,106	1,121	635	287	199	-
Other financial liabilities	83,965	83,965	83,965	-	-	-
	$ 794,176	**819,501**	**370,140**	**119,560**	**202,074**	**127,727**
December 31, 2018						
Non-derivative financial liabilities						
Bank loans	$ 700,000	736,174	247,909	70,861	206,335	211,069
Accounts payable (including related parties)	126,820	126,820	126,820	-	-	-
Other financial liabilities	89,684	89,684	89,684	-	-	-
	$ 916,504	**952,678**	**464,413**	**70,861**	**206,335**	**211,069**

(Continued)

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company' s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 16,713	29.98	501,053	16,481	30.715	506,200
Financial liabilities						
Monetary items						
USD	301	29.98	9,013	367	30.715	11,261

2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other accounts receivable and accounts payable that are denominated in foreign currency. A weakening or strengthening of 1% of the NTD against the abovementioned foreign currency as of 31 December, 2019 and 2018 would have decreased or increased the net profit (loss) before tax by $4,920 thousand and $4,949 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis is performed on the same basis for 2018.

3) Foreign exchange gain and loss on monetary items

The exchange rate information that foreign exchange gain (loss) (including realized and unrealized portions) on monetary items is translated to the parent company' s functional currencies, New Taiwan Dollars, was as follows:

	2019		2018	
	Exchange gain or loss	**Average exchange rate**	**Exchange gain or loss**	**Average exchange rate**
NTD	$ (12,507)	1	18,090	1

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

4) Interest rate analysis

Please refer to the notes on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases a quarter-point when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by a quarter-point, the Company's profit (loss) before income tax would have decreased or increased by $(218) thousand and $357 thousand for the year ended 2019 and 2018 with all other variable factors remaining constant. This is mainly due to the changes in the Company's variable-interest-rate financial liabilities exposure to interest risk.

The Company's fixed-interest-rate financial liabilities are measured at amortized cost. The changes in market rate do not affect the Company's profit or loss on the reporting date. Therefore, the Company does not disclose the sensitivity analysis of the changes in fair value.

(iv) Fair value of financial instruments

The carrying amounts and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value disclosure of fair value information is not required:

	December 31, 2019				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 317,854				
Accounts receivable	83,536				
Accounts receivables – related party	153,766				
Other financial assets	97,488				
Subtotal	**$ 652,644**				

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2019				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 596,000				
Accounts payable (including related parties)	113,105				
Lease liabilities	1,106				
Other financial liabilities	83,965				
Subtotal	**$ 794,176**				

	December 31, 2018				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 417,477				
Accounts receivable	116,414				
Accounts receivable – related party	143,965				
Other financial assets	9,499				
Subtotal	**$ 687,355**				
Financial liabilities measured at amortized cost					
Long term and short term borrowing	$ 700,000				
Accounts Payables (including related parties)	126,820				
Other financial liabilities	89,684				
Subtotal	**$ 916,504**				

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center, might be regarded as the fair value of the listed equity securities which is traded in an active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

The Company' s valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

- Measurements of fair value of financial instruments with an active market, such as listed company stock, beneficiary certificate etc., its fair value depends on the market quotation.

- Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

2) There were no transfers between each fair value levels in 2019 and 2018.

(t) Financial risk management

(i) Structure of risk management

The Company' s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) The Company have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The Company' s objectives, policies and processes for measuring and managing the above mentioned risks, and more disclosures about the quantitative effects of these risks exposures, please refer to note 6(s).

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(u) Capital management

The Company's capital management policy is to ensure that it has sufficient and necessary financial resources to sustain its working capital, capital expenditures and debt refunding requirements within twelve months after the reporting date. And also considers the debt ratio to maintain investor, creditor and market confidence. The Company's capital management strategy is consistent with the prior year, and the debt ratio were 34% and 38% as of December 31, 2019 and 2018, respectively.

(v) Financing activities

Reconciliation of liabilities arising from financing activities were as follows:

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

(i) Adoption lease for right-of-use assets, please refer to note 6(g).

(ii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Other	December 31, 2019
Long-term borrowings	$ 560,000	(64,000)	-	496,000
Short-term borrowings	140,000	(40,000)	-	100,000
Lease liabilities	3,316	(2,019)	(191)	1,106
Total liabilities from financing activity	**$ 703,316**	**(106,019)**	**(191)**	**597,106**

	January 1, 2018	Cash flows	December 31, 2018
Long-term borrowings	$ 50,000	510,000	560,000
Short-term borrowings	150,000	(10,000)	140,000
Total liabilities from financing activity	**$ 200,000**	**500,000**	**700,000**

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Group
Min Aik Technology Co., Ltd (MAT)	The entity with significant influence over the Group
Min Aik Technology (M) Sdn. Bhd. (MAM)	Other related party (MAT's subsidiary)
MATC Technology (M) Sdn. Bhd. (MATC)	〃
Min Aik Technology (Suzhou) Co., Ltd. (MAY)	〃
MAP Technology Holdings Limited (MAPT)	〃

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of related party	Relationship with the Group
Evolution Holdings Limited. (Evolution)	Subsidiaries or indirect-holding subsidiaries
Esteem King Limited. (Esteem King)	〃
MAP Plastics Pte Ltd. (MAPP)	〃
Dongguan Yi Hong Precision Industrial Co., Ltd. (YHP)	〃
Amould Plastic Technologies (Suzhou) Co., Ltd. (AMO)	〃
Key management personnel	The Group's major management personnel

(b) Parent company and ultimate controlling company

The Company is the subsidiaries' parent company and the ultimate controlling party.

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	Sales		Receivables from related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiaries	$ -	15	-	-
The entity with significant influence over the Company:				
MAT	143,450	156,565	69,989	47,347
Other related parties:				
MAM	338,339	396,303	83,777	96,618
Others	24	14	-	-
	$ 481,813	552,897	153,766	143,965

The payment term of sales to related parties was O/A 75-120 days, which may be changed depending on the Company's operation. The payment term to non-related parties was normally about two to three months. The selling price to related parties was referred to the market price and negotiated by both parties.

(ii) Purchases

The Company purchased the machines from the subsidiary to satisfy sales demand in 2019. As of December 31, 2019, USD62 thousand was prepaid in accordance with the contract, recognized as Prepayments.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Accepting services from and other accounts payable to related parties

	Transaction amount		Other accounts payable to related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiaries	$ 68	67	-	52
The entity with significant influence over the Company	$ 2,644	5,674	1,267	1,978
Other related parties	2,750	3,322	356	165
	$ 5,462	**9,063**	**1,623**	**2,195**

(iv) Rendering services to and other accounts receivable from related parties

	Transaction amount		Other accounts receivable from related parties	
	2019	2018	December 31, 2019	December 31, 2018
Subsidiaries	$ 9,051	14,196	2,545	3,783
The entity with significant influence over the Company	-	1,019	-	2
Other related parties	2,124	2,268	331	325
	$ 11,175	**17,483**	**2,876**	**4,110**

Abovementioned services income excludes expenses and is recognized under other income.

(v) Property transactions

1) The property, plant and equipment purchased from related parties are summarized as follows:

	Transaction amount		Other accounts payable to related parties	
	2018	2018	December 31, 2019	December 31, 2018
Subsidiaries	**$ 2,446**	**19,224**	**911**	**-**

2) For the years ended December 31, 2019 and 2018, the Company purchased machines from subsidiaries for its operating demand amounting to $2,446 thousand and $8,898 thousand, respectively.

(vi) Guarantee

As of December 31, 2019 and 2018, the Company's guarantees for subsidiaries’ bank loan were $119,920 thousand and $167,460 thousand, respectively, and actually drawdown amounts were $0 thousand and $44,600 thousand, respectively.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(d) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 14,663	12,008
Post-employment benefits	290	268
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total	$ **14,953**	**12,276**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted bank deposits	Guarantee for letter of credit	$ -	690
Land and buildings	Long-term borrowings	674,593	676,768
Non-current financial assets	Bank deposits for restricted purposes, due to offshore funds repatriated (tax preference)	91,019	-
		$ **765,612**	**677,458**

(9) Significant contingent liabilities and unrecognized commitment:

(a) The Company's unrecognized contractual commitments were as follows:

	December 31, 2019	December 31, 2018
Purchase commitment	$ **61,815**	**68,958**
Acquisition of property, plant and equipment	$ **1,877**	**16,980**

(b) The guarantee notes issued by the Company for the line of credit and for the financing were as follows:

	December 31, 2019	December 31, 2018
Issued guarantee notes	$ **989,680**	**1,139,658**

(c) Please refer to note 7 for the Company provided an endorsements and guarantees for subsidiaries' bank loan.

(d) Please refer to note 6(k) for the irrevocable lease contracts entered into by the Company.

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2019			2018		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	177,629	73,914	251,543	249,121	77,554	326,675
Labor and health insurance	19,903	5,874	25,777	25,533	5,609	31,142
Pension	7,078	1,835	8,913	10,349	2,893	13,242
Remuneration of directors	-	3,717	3,717	-	988	988
Others	6,118	1,882	8,000	8,811	1,927	10,738
Depreciation	52,712	14,700	67,412	55,791	13,652	69,443
Amortization	6,296	-	6,296	9,661	-	9,661

For the year ended 2019 and 2018, additional information about the number of employees and employee benefits are as follows:

	2019	2018
Average number of employees	483	607
Number of directors, not in concurrent employment	6	6
Average employee benefits	$ 617	635
Average salaries	$ 527	544
Average salaries adjustments	(3.13)%	

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2019:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 2)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Esteem King	4	1,712,408	126,400	119,920	-	-	7.00 %	1,712,408	Y	No	No
0	The Company	Amould (SUZHOU)	4	1,712,408	46,091	-	-	-	- %	1,712,408	Y	No	Yes

Note 1: Relationship with guarantor:

1. Ordinary business relationship.
2. The Company directly or indirectly owned more than 50% of the subsidiary shares.
3. The counter-party directly or indirectly owned more than 50% of the Company's shares.
4. The Company directly or indirectly owned 90% or more than 90% of subsidiaries' shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The amount of the guarantee provided by the Company to any individual entity shall not exceed 10% of the Company's net worth. The subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed the Company's net worth.

Note 3: The total amount of endorsements/guarantees may not exceed the Company's net worth.

Note 4: If highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. If ending balance and actual usage amount during the period were foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The company	Min Aik Technology (M) Sdn. Bhd. (MAM)	The entity with significant influence over the Group	(Sale)	338,339	(37) %	Note 1	-	normally two to three months	83,777	35%	
The company	Min Aik Technology Co., Ltd. (MAT)	〃	(Sale)	143,450	(16) %	Note 1	-	〃	69,989	29%	

Note 1：The payment is O/A 75~120 days. However, it can be changed via negotiation.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees for the year 2019 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of the investee	Investment income (losses)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Carrying value		
The Company	Esteem King	Samoa	Investment holding	511,481	511,481	17,079	100.00 %	840,618	8,745	8,745	
The Company	Evolution	Hong Kong	Investment holding	145,103	145,103	4,600	100.00 %	10,232	(7,218)	(7,218)	
Esteem King	MATC	Malaysia	Manufacture and selling hard disk components	127,726	127,726	10,527	20.00 %	68,521	(192,442)	(38,488)	
Esteem King	MAPP	Singapore	Manufacture and selling medical injection and molding	323,449	323,449	10,714	100.00 %	680,672	49,241	49,241	

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings as of December 31, 2018
					Outflow	Inflow						
Amould (SUZHOU)	Design and manufacture automatic machines	213,774	Note1	141,923	-	-	141,923	(66,675)	100%	(66,675)	189,828	-
Dongguan Yi Hong (Note 3)	Manufacture metal products and molding	135,947	Note1	135,947	-	(7,948)	127,999	(265)	100%	(265)	-	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
269,999	277,947	1,027,445

Note 1: The Company invests subsidiaries which are registered in the third-country and then indirectly invests in Mainland China via such subsidiaries.

Note 2: The Company recognized investment income (losses) by subsidiaries' financial statements which was audited by the Certified Public Accountant who audited the Company's financial statements.

Note 3: The Company invested in Dongguan Yi Hong Precision Industrial Co., LTD. (YHP) with USD4,400 thousand indirectly. The Company completed the liquidation procedure of YHP and got payment of USD 265 thousand in December, 2019.As of December 31, 2019, the Company has reported to the Investment board, Ministry of Economic Affairs for cancellation. The investment amount will be remitted back to deduct the approval amount from the mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, and are disclosed in "Information on significant transactions"

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2019.

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of cash and cash equivalents

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Foreign amount	Exchange rate	Amount
Cash on hand and petty cash			$ 191
Cash in banks:			
Check deposits			151
Demand deposits			123,566
Foreign currency deposits:			
USD	$ 6,468 thousand	29.98	193,906
SGD	2 thousand	22.28	40
			$ 317,854

Statement of notes and accounts receivable

Customer Name	Description	Amount
Notes and accounts receivable from non-related parties		
Corporation SE(T)	Operating revenues	$ 28,090
Corporation AM	〃	15,096
Corporation MI	〃	7,068
Corporation AMP	〃	6,965
Corporation CS	〃	6,223
Corporation SE	〃	5,705
Others (less than 5% for each customer)	〃	15,246
Total		84,393
Less: Loss allowance		(857)
Total		**$ 83,536**

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of inventories

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Finished goods	$ 63,851	74,936
Work in process	27,198	25,993
Raw materials	24,966	23,325
Subtotal	116,015	**124,254**
Less: Allowance for inventory valuation and obsolescence	(16,412)	
Net inventory	**$ 99,603**	

Statement of other current assets

Item	Description	Amount
Prepaid pension	The refundable value-add tax and income tax	$ 27,774
Prepaid expenses	Prepaid insurance, tax, operation expenses, and so on	7,221
Other receivables-other	Receivables from sales of scrap	3,592
Other receivables from related parties	Service income from related parties	2,877
Others (less than 5% for each item)		2,839
Total		**$ 44,303**

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of changes in property, plant and equipment

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(e) to this parent company only financial statement for details.

Statement of other non-current assets

Item	Amount
Prepaid pension	$ 22,736
Deferred income tax assets	19,693
Refundable deposits	5,745
Others (less than 5% for each item)	44
	$ 48,218

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of changes in investments accounted for using the equity method

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Others adjustments		Ending balance			Market value or net asset value	Guarantee or pledged
Investee Name	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount		
Valued with equity method:													
Esteem King Limited	17,079	$ 944,079	-	-	-	-	-	(103,461)(note 1)	17,079	100.00 %	840,618	840,618	none
Evolution Holdings Limited	4,600	11,056	-	-	-	-	-	(824)(note 2)	4,600	100.00 %	10,232	10,232	none
		$ 955,135		-		-		(104,285)			850,850	850,850	

Note 1: Including gain on investments accounted for using equity method amounting to $8,745, dividend paid by subsidiary $100,633 and exchange difference on translation of foreign financial statements amounting to $(11,573) thousand.

Note 2: Including loss on investments accounted for using equity method amounting to $7,218 thousand and exchange difference on translation of foreign financial statements amounting to $6,394 thousand.

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of short-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Ending balance	Contract period	Range of interest rate	Loan commitment	Guarantee or pledged
Fubon Bank	Unsecured bank loans	$ 30,000	Within one year	1%	200,000	None
DBS Bank	〃	70,000	〃	1%	100,000	〃
		$ 100,000				

Statement of notes payable

Item	Description	Amount
Company SY	Generated from operation	$ 21,906
Company SC	〃	16,083
Company YHH	〃	11,024
Company SSR	〃	9,946
Company WS	〃	8,848
Company YF	〃	6,568
Others (less than 5% for each item)	〃	38,730
Total		$ 113,105

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of long-term borrowings

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Creditor	Loan commitment	Amount: More than one year	Amount: With one year	Contract period	Interest rate	Guarantee or pledged
Hua Nan Commercial Bank	$ 100,000	$ -	50,000	108.1.25~110.1.25	1.18%	None
Cathay United Bank	510,000	64,000	382,000	107.4.16~116.4.16	1.518%	Land and buildings
	$ 610,000	**$ 64,000**	**432,000**			

Statement of other current liabilities

Item	Description	Amount
Other accrued expenses	Payables to service, fuel and daily expenditures	$ 26,370
Mould payables	Material for mould and processing expenses	16,380
Equipment payables	Acquisition of equipment	10,854
Employment payables	Salaries and wages, social security expenses and pension cost	8,270
Maintenance payables	Repair and maintenance for plants and staff housing	6,704
Export payables	Expenses paid for export sales	5,674
Inspection payables	Inspection cost for purchases and sales	7,179
Others (less than 5% for each item)	Trade promotion service charges, foreign warehouse, supplies and others	5,995
Total		**$ 87,426**

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of operating revenue

December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	PCS	Amount
Hard disk drive stamping components	142,908 thousand	$ 728,167
Other electronic stamping components	46,941 thousand	164,307
Others	24 thousand	11,081
Total		**$ 903,555**

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of operating costs

For the year ended December 31, 2019

(In thousands of New Taiwan Dollars)

Item	Amount
Merchandising:	
Merchandise, beginning of year	$ -
Add: Purchases	70
Less: Transferred	-
Cost of goods sold	70
Manufacturing:	
Raw materials used:	
Raw materials, beginning of year	21,947
Add: Purchases (excluding sales of scrap $39,272 thousands)	304,993
Less: Raw materials, end of year	24,966
Transferred	11,157
Subtotal	290,817
Direct labor	125,920
Manufacturing expenses	250,997
Manufacturing cost	667,734
Add: Work in process, beginning of year	24,680
Less: Work in process, end of year	27,198
Transferred	11,626
Cost of finished goods	653,590
Add: Finished goods, beginning of year	108,432
Less: Finished goods, end of year	63,851
Transferred	6,583
Cost of goods sold	691,588
Add: Unallocated fixed overheads due to idle capacity	52,303
Cost of raw materials and work in process sold	11,607
Loss on inventory impairment and obsolescence	1,486
Gain on physical inventory and other operating cost	2,049
Operating costs	**$ 759,103**

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development Expenses
Salary expenses	$ 8,330	52,054	26,838
Export expenses	17,020	-	1
Freight expense	1,502	33	103
Depreciation expenses	-	12,948	1,753
Service charges	-	7,704	235
Others (note)	2,692	22,908	5,260
Total	**$ 29,544**	**95,647**	**34,190**

Note: less than 5% for each item