WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd. and Subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the 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 for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

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Recognition of supplier rebates

Description

Refer to Note 4(13) for accounting policies on supplier rebates.

The Group is primarily engaged in the sale of electronic and communication components. In line with industry practice, the Group has entered into rebate arrangements with its suppliers for various kinds and quantities of inventories. The Group calculates the amount of supplier rebates in accordance with the arrangement, and recognises it as a deduction of accounts payable to suppliers, and also a deduction of cost of sales or inventory depending on whether the inventories have been sold. The Group pays the net purchase price, after confirmation that the rebate is granted and the credit memo from its suppliers has been received.

As the terms of different types of supplier rebates vary and changes frequently, and the calculation is complex, the Group relies on the information system to gather related transaction information, and manually matches each inventory category with its corresponding rebate term to calculate the supplier rebate that should be recognised. Since the supplier rebate is material to the financial statements and requires more audit effort to address this audit matter, the recognition of supplier rebate has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding and assessed the internal controls related to supplier rebates, and tested the effectiveness of relevant internal controls to verify whether major supplier rebates had been reviewed by responsible management, and the inventory cost had been correctly deducted and paid in net amount based on the credit memo approved by suppliers;

B. Performed trend analysis on the ratio of supplier rebates to corresponding transaction amount;

C. Sampled supplier rebates and tested whether the transaction quantities which were used in the calculation were consistent with its original transaction data, and obtained arrangements and calculation worksheets to ensure that the rebate recognition was consistent with the arrangements;

D. Sampled the supplier rebates which were recognised before balance sheet date but have not yet been confirmed by suppliers, verified its consistency and reasonableness with subsequent credit memos approved by suppliers after the balance sheet date, and confirmed whether there were any material differences; and

E. Performed confirmation of selected material accounts payable, examined whether there is a significant difference between the amount of supplier rebates recognised based on the arrangements and the amount indicated in the suppliers' confirmation, and investigated the differences, if any.

Impairment assessment of goodwill

Description

Refer to Note 4(19) for accounting policies on goodwill impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to goodwill impairment, and Note 6(8) for details of goodwill impairment.

The Group acquired 100% shares of stock of target companies or electronic components distribution business by cash or through exchange of shares of stock. The purchase price was allocated to the net identifiable assets acquired at fair value in accordance with the accounting policies on business combinations. The goodwill which was generated from purchase price allocation was presented in "Intangible assets - goodwill". As at December 31, 2018, the Group's goodwill amounted to NT$1,867,821 thousand.

Relative to the aforementioned acquired company and distribution business, some distribution business were managed by other operating segments in the same district after the acquisition due to management purpose. After identifying the smallest cash generating unit which can generate independent cash flows, the Group uses the expected future cash flows of each cash generating unit and proper discount rate to determine recoverable amount of goodwill, and assesses whether goodwill may be impaired. The above expected future cash flows of each cash generating unit are based on its own financial forecast for the next 5 years. As the assumptions used in the forecast requires management judgement and involves a high degree of uncertainty that may have a material effect in determining the recoverable amount and goodwill impairment assessment, we consider the impairment assessment of goodwill a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Assessed the consistency of smallest cash generating unit which was identified by management and used in goodwill allocation, and the lowest level at which management monitored the goodwill;

B. Assessed management's assessment process of each cash generating unit and determined whether the future cash flows used in valuation model for the next 5 years are consistent with the operating plan which was approved by the Board of Directors;

C. As the recoverable amount was determined by value-in–use, ascertained the reasonableness of each estimated growth rate, discount rate and other significant assumptions and performed the following:
   (a) Compared the reasonableness of estimated growth rate with historical data, economic and external industry forecast information;
   (b) Compared discount rate assumptions with respect to cash generating units' capital cost and similar return on assets; and
   (c) Checked the parameters of valuation model and the setting of calculation formula.

D. Compared the higher of recoverable amount and book value of each cash generating unit to verify the appropriateness of impairment assessment.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(4) for details of inventory valuation. As at December 31, 2018, the Group's inventories and allowance for inventory valuation losses were NT$47,835,404 thousand and NT$959,984 thousand, respectively.

The Group is primarily engaged in the sales of various kinds of electronic components. Due to rapid technology innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due from market value decline or obsolescence. For non-obsolete inventories, the net realisable value is estimated based on the estimated selling price in a certain period around balance sheet date. For aged inventories and individually determined as obsolete inventories, the net realisable value is determined based on historical experience of inventory usage and sales discount. Since the amount of inventory is material, inventory types vary, sources of information in calculating the net realisable value of each type of inventories are many, and the identification of obsolete and damaged inventory and its net realisable value are subject to management's judgement, we consider the assessment of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding and evaluated the process of inventory and warehouse management, examined the annual plan and participated in stock take to assess the effectiveness of management's identification and controls on obsolete inventory;

B. Obtained an understanding of the Group's nature of business and industry and assessed whether the provision policies and procedures were applied reasonably and consistently in all the periods; and

C. Obtained the net realisable value statement of each inventory, assessed whether the estimation policy was consistently applied, and tested relevant parameters, including the original data for sales and purchases and obtained supporting documents.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of WT Microelectronics Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Hsu, Sheng-Chung

Hsu, Sheng-Chung

Wu, Han-Chi

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,335,181	4	$ 2,288,075	3
1120	Financial assets at fair value through other comprehensive income - current	6(2)	24,350	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	466,686	1
1170	Accounts receivable, net	6(3)	36,127,336	39	32,326,085	43
1200	Other receivables	6(3)	2,089,219	2	1,344,146	2
130X	Inventories	6(4)	46,875,420	50	33,113,757	44
1410	Prepayments		342,572	-	347,727	-
1470	Other current assets	6(1) and 8	89,438	-	466,492	1
11XX	**Total current assets**		88,883,516	95	70,352,968	94
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	521,477	-	-	-
1523	Available-for-sale financial assets, net - non-current	12(4)	-	-	642,252	1
1543	Financial assets carried at cost – non-current	12(4)	-	-	9,143	-
1550	Investments accounted for using equity method	6(5)	246,346	-	348,138	-
1600	Property, plant and equipment	6(6)	995,294	1	785,965	1
1760	Investment property - net	6(7)	104,942	-	105,756	-
1780	Intangible assets	6(8)	1,878,609	2	1,663,682	2
1840	Deferred income tax assets	6(29)	660,027	1	567,902	1
1900	Other non-current assets	6(9)	534,597	1	690,342	1
15XX	**Total non-current assets**		4,941,292	5	4,813,180	6
1XXX	**Total assets**		$ 93,824,808	100	$ 75,166,148	100

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 26,112,763	28	$ 24,362,972	32
2110	Short-term notes and bills payable	6(11)	1,828,513	2	1,499,017	2
2120	Financial liabilities at fair value through profit or loss - current	6(12)	3,994	-	7,777	-
2130	Contract liabilities - current	6(23)	118,246	-	-	-
2170	Accounts payable		37,997,769	40	24,462,653	33
2200	Other payables	6(13)	1,722,862	2	1,418,610	2
2230	Current income tax liabilities		639,616	1	537,108	1
2320	Long-term liabilities, current portion	6(14)(15)	1,937,468	2	-	-
2365	Refund liabilities - current	6(23)	879,111	1	-	-
2399	Other current liabilities		43,961	-	161,941	-
21XX	**Total current liabilities**		71,284,303	76	52,450,078	70
	Non-current liabilities					
2530	Bonds payable	6(14)	-	-	1,216,527	2
2540	Long-term loans	6(15)	122,860	-	982,120	1
2570	Deferred income tax liabilities	6(29)	465,646	1	352,924	-
2600	Other non-current liabilities	6(16)	144,411	-	82,931	-
25XX	**Total non-current liabilities**		732,917	1	2,634,502	3
2XXX	**Total liabilities**		72,017,220	77	55,084,580	73
	Equity attributable to owners of parent					
	Share capital	6(18)				
3110	Share capital - common stock		5,551,889	6	5,522,227	7
3130	Certificates of entitlement to new shares from convertible bonds		24,217	-	392	-
	Capital surplus	6(19)				
3200	Capital surplus		8,773,382	9	8,660,739	12
	Retained earnings	6(20)				
3310	Legal reserve		1,741,965	2	1,489,975	2
3320	Special reserve		109,102	-	-	-
3350	Unappropriated retained earnings		5,749,889	6	4,516,703	6
	Other equity interest	6(21)				
3400	Other equity interest		(143,568)	-	(109,102)	-
31XX	**Equity attributable to owners of the parent**		21,806,876	23	20,080,934	27
36XX	**Non-controlling interest**	6(22)	712	-	634	-
3XXX	**Total equity**		21,807,588	23	20,081,568	27
	Commitments and contingent liabilities	9				
3X2X	**Total liabilities and equity**		$ 93,824,808	100	$ 75,166,148	100

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(23)	$ 273,416,485	100	$ 189,419,235	100
5000	**Operating costs**	6(4)	(262,771,537)	(96)	(180,997,653)	(96)
5900	**Net operating margin**		10,644,948	4	8,421,582	4
	Operating expenses	6(27)				
6100	Selling expenses		(4,017,488)	(2)	(3,160,726)	(2)
6200	General and administrative expenses		(946,308)	-	(1,023,960)	-
6300	Research and development expenses		(367,592)	-	(318,726)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(59,845)	-	-	-
6000	**Total operating expenses**		(5,391,233)	(2)	(4,503,412)	(2)
6900	**Operating profit**		5,253,715	2	3,918,170	2
	Non-operating income and expenses					
7010	Other income	6(24)	67,535	-	43,859	-
7020	Other gains and losses	6(25)	101,904	-	200,822	-
7050	Finance costs	6(26)	(1,698,684)	(1)	(962,791)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(5)	(103,660)	-	(95,170)	-
7000	**Total non-operating income and expenses**		(1,632,905)	(1)	(813,280)	-
7900	**Profit before income tax**		3,620,810	1	3,104,890	2
7950	Income tax expense	6(29)	(842,295)	-	(584,754)	-
8200	**Profit for the year**		$ 2,778,515	1	$ 2,520,136	2

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WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	($ 6,446)	-	($ 8,620)	-
8316	Unrealised loss on valuation of equity investment instruments measured at fair value through other comprehensive income	6(21)	(317,172)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(29)	1,661	-	1,466	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(321,957)	-	(7,154)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	6(21)(22)				
8361	Financial statements translation differences of foreign operations		590,295	-	(1,139,887)	(1)
8362	Unrealised loss on valuation of available-for-sale financial assets		-	-	(151,466)	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method	6(5)	(5,941)	-	806	-
8399	Income tax related to components of other comprehensive (loss) income that will be reclassified to profit or loss	6(29)	(1,395)	-	1,872	-
8360	**Other comprehensive income (loss) that will be reclassified to profit or loss**		582,959	-	(1,288,675)	(1)
8300	**Total other comprehensive income (loss) for the year**		$ 261,002	-	($ 1,295,829)	(1)
8500	**Total comprehensive income for the year**		$ 3,039,517	1	$ 1,224,307	1
	Profit attributable to:					
8610	Owners of the parent		$ 2,778,229	1	$ 2,519,897	2
8620	Non-controlling interest		286	-	239	-
			$ 2,778,515	1	$ 2,520,136	2
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 3,039,224	1	$ 1,224,141	1
8720	Non-controlling interest		293	-	166	-
			$ 3,039,517	1	$ 1,224,307	1
	Earnings per share (in dollars)	6(30)				
9750	**Basic earnings per share**		$ 5.02		$ 5.26	
9850	**Diluted earnings per share**		$ 4.71		$ 4.89	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
		Share capital			Retained earnings			Other equity interest					
	Notes	Share capital - common stock	Certificates of bond-to-stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2017													
Balance at January 1, 2017		$ 4,715,196	$ -	$ 6,372,059	$ 1,320,029	$ -	$ 3,315,686	$ 162,084	$ -	$ 1,017,416	$ 16,902,470	$ 640	$ 16,903,110
Consolidated net income		-	-	-	-	-	2,519,897	-	-	-	2,519,897	239	2,520,136
Other comprehensive loss	6(21)	-	-	-	-	-	(7,154)	(1,137,136)	-	(151,466)	(1,295,756)	(73)	(1,295,829)
Total comprehensive income (loss)		-	-	-	-	-	2,512,743	(1,137,136)	-	(151,466)	1,224,141	166	1,224,307
Issuance of common stock for cash	6(18)	750,000	-	2,100,000	-	-	-	-	-	-	2,850,000	-	2,850,000
Share-based payments	6(17)	-	-	49,037	-	-	-	-	-	-	49,037	-	49,037
Appropriations of 2016 earnings:	6(20)												
Legal reserve		-	-	-	169,946	-	(169,946)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,141,780)	-	-	-	(1,141,780)	-	(1,141,780)
Conversion of convertible bonds	6(18)(19)	57,031	392	140,164	-	-	-	-	-	-	197,587	-	197,587
Changes in equity of associates accounted for using equity method	6(19)	-	-	(521)	-	-	-	-	-	-	(521)	-	(521)
Changes in non-controlling interest	6(22)	-	-	-	-	-	-	-	-	-	-	(172)	(172)
Balance at December 31, 2017		$ 5,522,227	$ 392	$ 8,660,739	$ 1,489,975	$ -	$ 4,516,703	($ 975,052)	$ -	$ 865,950	$ 20,080,934	$ 634	$ 20,081,568
2018													
Balance at January 1, 2018		$ 5,522,227	$ 392	$ 8,660,739	$ 1,489,975	$ -	$ 4,516,703	($ 975,052)	$ -	$ 865,950	$ 20,080,934	$ 634	$ 20,081,568
Effects of retrospective application	12(4)	-	-	-	-	-	(75,668)	-	843,629	(865,950)	(97,989)	-	(97,989)
Adjusted balance at January 1, 2018		5,522,227	392	8,660,739	1,489,975	-	4,441,035	(975,052)	843,629	-	19,982,945	634	19,983,579
Consolidated net income		-	-	-	-	-	2,778,229	-	-	-	2,778,229	286	2,778,515
Other comprehensive income (loss)	6(21)	-	-	-	-	-	(4,785)	582,952	(317,172)	-	260,995	7	261,002
Total comprehensive income (loss)		-	-	-	-	-	2,773,444	582,952	(317,172)	-	3,039,224	293	3,039,517
Appropriations of 2017 earnings:	6(20)												
Legal reserve		-	-	-	251,990	-	(251,990)	-	-	-	-	-	-
Special reserve		-	-	-	-	109,102	(109,102)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,381,423)	-	-	-	(1,381,423)	-	(1,381,423)
Conversion of convertible bonds	6(18)(19)	29,662	23,825	112,643	-	-	-	-	-	-	166,130	-	166,130
Changes in non-controlling interest	6(22)	-	-	-	-	-	-	-	-	-	-	(215)	(215)
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	-	277,925	-	(277,925)	-	-	-	-
Balance at December 31, 2018		$ 5,551,889	$24,217	$ 8,773,382	$ 1,741,965	$ 109,102	$ 5,749,889	($ 392,100)	$ 248,532	$ -	$ 21,806,876	$ 712	$ 21,807,588

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,620,810	$ 3,104,890
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	83,271	62,882
Amortisation	6(27)	10,642	10,874
Impairment loss determined in accordance with IFRS 9/ Provision for doubtful accounts	12(2)	59,845	199,421
Net (income) loss on financial liabilities at fair value through profit or loss	6(25)	(80,128)	6,862
Impairment loss on financial assets carried at cost	6(25)	-	7,694
Other current liabilities transferred to revenue	6(24)	-	(2,888)
Share-based payment	6(17)	-	49,037
Share of loss of associates and joint ventures accounted for using equity method	6(5)	103,660	95,170
Loss on disposal of property, plant and equipment, net	6(25)	838	425
Gain on disposal of investments	6(25)	-	(243,817)
Interest expense	6(26)	902,649	549,716
Interest income	6(24)	(13,232)	(9,217)
Dividends income	6(24)	(17,634)	(8,250)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(2,483,886)	(28,859)
Other receivables		(703,121)	1,309,985
Inventories		(12,660,421)	(11,299,814)
Prepayments		30,863	(118,821)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		76,352	915
Contract liabilities		(10,553)	-
Accounts payable		12,189,354	6,242,518
Other payables		193,667	162,811
Other current liabilities (included in refund liabilities)		(16,418)	(59,713)
Accrued pension liabilities		(180)	(5,228)
Cash inflow generated from operations		1,286,378	26,593
Interest received		13,232	9,217
Dividends received		17,634	8,250
Interest paid		(862,978)	(527,359)
Income taxes paid		(673,951)	(487,302)
Net cash flows used in operating activities		(219,685)	(970,601)

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 31,601)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	305,528	-
Proceeds from disposal of available-for-sale financial assets		-	255,168
Decrease (increase) in other financial assets		382,482	(8,293)
Proceeds from capital reduction of financial assets at cost		-	5,700
Acquisition of investments accounted for using equity method		-	(237,685)
Acquisition of property, plant and equipment	6(32)	(168,353)	(98,431)
Proceeds from disposal of property, plant and equipment		1,495	1,976
Acquisition of intangible assets	6(8)	(3,262)	(4,810)
Net cash payments for business combination	6(31)	(191,729)	(609,641)
Increase in other non-current assets		(73,602)	(114,337)
Net cash flows from (used in) investing activities		220,958	(810,353)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans	6(33)	2,495,603	(1,764,589)
Increase in short-term notes and bills payable	6(33)	318,426	1,199,116
Proceeds from long-term loans	6(33)	-	982,120
Payments of long-term loans	6(33)	(750,000)	-
Increase (decrease) in other non-current liabilities		55,220	(197)
Issuance of common stock for cash	6(18)(19)	-	2,850,000
Cash dividends paid to non-controlling interest	6(22)	(215)	(172)
Cash dividends paid	6(20)	(1,381,423)	(1,141,780)
Net cash flows from financing activities		737,611	2,124,498
Effect of exchange rate changes		308,222	(136,241)
Net increase in cash and cash equivalents		1,047,106	207,303
Cash and cash equivalents at beginning of year		2,288,075	2,080,772
Cash and cash equivalents at end of year		$ 3,335,181	$ 2,288,075

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, expect as otherwise indicated)

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses (‘ECL’) or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4)B and C.

B. IFRS 15, ‘Revenue from contracts with customers’ and amendments

The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

(a) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to $1,218,886.

(b) Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $102,535.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	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
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $950,016 and $682,856, respectively, and 'long-term prepaid rents' will be decreased by $267,160.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss from equity.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Note
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	100.00	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	100.00	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Note
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100.00	100.00	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100.00	100.00	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100.00	100.00	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100.00	100.00	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100.00	100.00	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100.00	100.00	
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Note
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100.00	100.00	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100.00	100.00	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100.00	100.00	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100.00	100.00	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100.00	100.00	

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

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

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
   (a) Liabilities that are expected to be settled within the normal operating cycle;
   (b) Liabilities arising mainly from trading activities;
   (c) Liabilities that are to be settled within twelve months from the balance sheet date;
   (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorized as financial labilities held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(8) Financial assets at fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group’s operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.

B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(18) Intangible assets

A. Goodwill arises in a business combination accounted for by applying the acquisition method.

B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

(21) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

D. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

iii. Past service costs are recognised immediately in profit or loss.

C. Employees’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer 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, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. The sales usually are made with a credit term of 90~120 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(27) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

A. The Group is primarily responsible for the provision of goods or services;

B. The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

C. The Group has discretion in establishing prices for the goods or services.

(2) <u>Critical accounting estimates and assumptions</u>

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(8) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. <u>DETAILS OF SIGNIFICANT ACCOUNTS</u>

(1) <u>Cash and cash equivalents</u>

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 5,922	$ 2,852
Checking accounts and demand deposits	3,329,259	2,285,223
	$ 3,335,181	$ 2,288,075

A. The Group transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of December 31, 2018 and 2017, the time deposits with maturity date over 3 months of $39,459 and $42,164, respectively, are recorded as "other current assets".

(2) Financial assets at fair value through other comprehensive income

Effective 2018

Items	December 31, 2018
Current items:	
Equity instruments	$ 24,350
Non-current items:	
Equity instruments	$ 521,477

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments, including publicly listed and privately held companies, as financial assets measured at fair value through other comprehensive income.

B. Aiming to satisfy its operating capital needs, the Group sold $305,528 of listed shares at fair value which resulted in a cumulative gain of $277,925 on disposal during the year ended December 31, 2018.

C. Please refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income for the year ended December 31, 2018. Please refer to Note 6(14) for details of dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held at end of year.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of December 31, 2018.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 1,898,859	$ 1,824,444
Accounts receivable	34,665,485	32,428,068
Less: Allowance for sales returns and discounts	-	(1,655,266)
Allowance for uncollectible accounts	(437,008)	(271,161)
Notes and accounts receivable, net	36,127,336	32,326,085
Overdue receivables	845,997	916,444
Less: Allowance for uncollectible accounts	(845,997)	(830,735)
Overdue receivables, net (shown as ‘other non-current assets’)	-	85,709
	$ 36,127,336	$ 32,411,794

A. As of December 31, 2018 and 2017, the Group had outstanding discounted notes receivable amounting to $914,373 and $298,369, respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

B. Transferred financial assets that are derecognised in their entirety

The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	December 31, 2018	December 31, 2017
Accounts receivable transferred (Amount derecognised)	$ 45,740,462	$ 31,829,608
Amount advanced	$ 44,738,105	$ 30,875,011
Amount retained	$ 1,002,357	$ 954,597

(a) The above amounts retained are shown as 'other receivables'. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(b) As of December 31, 2018 and 2017, the interest rates for amounts advanced ranged between 1.3270%~4.0698% and 1.712%~3.22%, respectively.

(c) As of December 31, 2018 and 2017, the total limits of the accounts receivable factoring were $78,873,368 and $55,529,472, respectively.

(d) As of December 31, 2018 and 2017, the Group has issued a promissory note of $125,690,581 and $56,015,136, respectively, as performance guarantee against any business dispute.

C. Transferred financial assets that are not derecognised in their entirety

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

Related advance payments are recorded under short-term borrowings, and the information on outstanding borrowings are as follows:

	December 31, 2018	December 31, 2017
Accounts receivable that are financed	$ -	$ 881,273
Amount advanced	$ -	$ 719,730

(a) As of December 31, 2017, the Group entered into a factoring agreement with recourse, and the range of interest of amount advanced was 1.87%~2.93%.

(b) As of December 31, 2018 and 2017, the total limits of the accounts receivable financing were $0 and $2,375,000, respectively.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 80%~90% of the receivable amount can be covered when the receivables are uncollectible. As at December 31, 2018, and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2018	December 31, 2017
Merchandise inventory	$ 47,835,404	$ 34,176,655
Less: Allowance for inventory obsolescence and market value decline	(959,984)	(1,062,898)
	$ 46,875,420	$ 33,113,757

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of inventories sold	$ 262,718,911	$ 180,889,018
Loss on disposal of inventory	173,621	-
(Gain on reversal of) loss on decline in market value	(121,256)	108,483
Loss on physical inventory	261	152
	$ 262,771,537	$ 180,997,653

The Group reversed a previous inventory write-down as certain inventory which were previously provided with allowance were subsequently disposed during the year ended December 31, 2018.

(5) Investments accounted for using equity method

	December 31, 2018	December 31, 2017
JCD Optical (Cayman) Co., Ltd.	$ 86,146	$ 97,855
Supreme Mega Ltd.	57,694	148,511
Qwave Technology Co., Ltd.	40,305	40,000
Rainbow Star Group Limited	31,406	31,040
Joy Capital Ltd.	30,795	30,732
	$ 246,346	$ 348,138

A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	Years ended December 31, 2018	Years ended December 31, 2017
Loss for the year from continuing operations	($ 103,660)	($ 95,170)
Other comprehensive (loss) income, net of tax	(5,941)	806
Total comprehensive loss	($ 109,601)	($ 94,364)

B. In December 2017, the Group acquired the newly issued ordinary shares of Qwave Technology Co., Ltd. by asset contribution, which acquired 40% of equity, for a total amount of $40,000.

(6) Property, plant and equipment

	Land	Buildings	Office equipment	Others	Total
At January 1, 2018					
Cost	$ 225,459	$ 496,075	$ 339,669	$ 230,936	$1,292,139
Accumulated depreciation and impairment	-	(86,466)	(228,327)	(191,381)	(506,174)
	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965
2018					
Opening net book amount	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965
Additions	-	-	78,325	78,555	156,880
Disposals	-	-	(778)	(1,555)	(2,333)
Reclassifications	-	148,399	-	-	148,399
Depreciation charge	-	(12,107)	(45,625)	(24,725)	(82,457)
Net exchange differences	-	(10,081)	(870)	(209)	(11,160)
Closing net book amount	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294
At December 31, 2018					
Cost	$ 225,459	$ 634,212	$ 360,629	$ 296,940	$1,517,240
Accumulated depreciation and impairment	-	(98,392)	(218,235)	(205,319)	(521,946)
	$ 225,459	$ 535,820	$ 142,394	$ 91,621	$ 995,294

	Land	Buildings	Office equipment	Others	Total
At January 1, 2017					
Cost	$ 225,459	$ 217,449	$ 320,854	$ 186,885	$ 950,647
Accumulated depreciation and impairment	-	(75,260)	(234,923)	(166,557)	(476,740)
	$ 225,459	$ 142,189	$ 85,931	$ 20,328	$ 473,907
2017					
Opening net book amount	$ 225,459	$ 142,189	$ 85,931	$ 20,328	$ 473,907
Acquired from business combinations	-	-	3,646	12,784	16,430
Additions	-	13,677	59,211	24,516	97,404
Disposals	-	-	(289)	(2,112)	(2,401)
Reclassifications	-	261,559	(82)	(2,627)	258,850
Depreciation charge	-	(11,094)	(37,640)	(13,334)	(62,068)
Net exchange differences	-	3,278	565	-	3,843
Closing net book amount	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965
At December 31, 2017					
Cost	$ 225,459	$ 496,075	$ 339,669	$ 230,936	$1,292,139
Accumulated depreciation and impairment	-	(86,466)	(228,327)	(191,381)	(506,174)
	$ 225,459	$ 409,609	$ 111,342	$ 39,555	$ 785,965

A. The information on property, plant and equipment acquired through business combinations for the year ended December 31, 2017 is provided in Note 6(31).

B. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with the non-related parties in the first quarter of 2016. The agreements are purchases of property located in Beijing Municipality for business use for a contract price of $225,976 (RMB 48,732 thousand) which has been settled by the Group. In the first and fourth quarter of 2018, the transfer of the properties has been completed and accepted by WT Microelectronics (Shanghai) Co., Ltd. Thus, the amount previously recorded in 'other non-current assets – prepayment for property' was transferred to 'property, plant, equipment – buildings and structures' and 'other non-current assets-long-term prepaid rents' in the amounts of $148,399 and $77,577, respectively. Please refer to Note 6(9) for details.

C. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with non-related parties in the second quarter of 2015. The agreements are purchases of property located in Shanghai Municipality for business use for a contract price of $450,407 (RMB 99,800 thousand) which has been settled by the Group. In the first quarter of 2017, the process for ownership transfer and acceptance had been completed. Thus, the amount previously recorded in 'other non-current assets – prepayment for property' was transferred to ‘property, plant and equipment – buildings and structures’ and ‘other non-current assets – long-term prepaid rents’ in the amounts of $261,559 and $188,848, respectively. Please refer to Note 6(9) for details.

(7) Investment property

	Land	Buildings	Total
At January 1, 2018			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,182)	(16,079)
	$ 82,839	$ 22,917	$ 105,756
2018			
Opening net book amount	$ 82,839	$ 22,917	$ 105,756
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 22,103	$ 104,942
At December 31, 2018			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	$ 82,839	$ 22,103	$ 104,942

	Land	Buildings	Total
At January 1, 2017			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(13,368)	(15,265)
	$ 82,839	$ 23,731	$ 106,570
2017			
Opening net book amount	$ 82,839	$ 23,731	$ 106,570
Depreciation charge	-	(814)	(814)
Closing net book amount	$ 82,839	$ 22,917	$ 105,756
At December 31, 2017			
Cost	$ 84,736	$ 37,099	$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,182)	(16,079)
	$ 82,839	$ 22,917	$ 105,756

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,	
	2018	2017
Rental income from the lease of the investment property	$ 2,597	$ 2,467
Direct operating expenses arising from the investment property that generated rental income during the year	$ 814	$ 814

B. The fair values of the investment property held by the Group as at December 31, 2018 and 2017 were $130,104 and $131,513, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(8) Intangible assets

	Goodwill	Software	Total
At January 1, 2018			
Cost	$ 1,819,565	$ 75,639	$ 1,895,204
Accumulated amortisation and impairment	(170,309)	(61,213)	(231,522)
	$ 1,649,256	$ 14,426	$ 1,663,682
2018			
Opening net book amount	$ 1,649,256	$ 14,426	$ 1,663,682
Additions	191,729	3,262	194,991
Amortisation charge (shown as ‘general and administrative expenses’)	-	(6,900)	(6,900)
Net exchange differences	26,836	-	26,836
Closing net book amount	$ 1,867,821	$ 10,788	$ 1,878,609
At December 31, 2018			
Cost	$ 2,038,130	$ 78,901	$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	$ 1,867,821	$ 10,788	$ 1,878,609

	Goodwill	Software	Total
At January 1, 2017			
Cost	$ 1,707,300	$ 60,166	$ 1,767,466
Accumulated amortisation and impairment	(170,309)	(46,299)	(216,608)
	$ 1,536,991	$ 13,867	$ 1,550,858
2017			
Opening net book amount	$ 1,536,991	$ 13,867	$ 1,550,858
Acquired from business combinations	246,302	5,949	252,251
Adjustment	(63,839)	-	(63,839)
Additions	-	4,810	4,810
Reclassifications	-	(2,447)	(2,447)
Amortisation charge (shown as ‘general and administrative expenses’)	-	(7,751)	(7,751)
Net exchange differences	(70,198)	(2)	(70,200)
Closing net book amount	$ 1,649,256	$ 14,426	$ 1,663,682
At December 31, 2017			
Cost	$ 1,819,565	$ 75,639	$ 1,895,204
Accumulated amortisation and impairment	(170,309)	(61,213)	(231,522)
	$ 1,649,256	$ 14,426	$ 1,663,682

A. The information on intangible assets acquired through business combinations for the year ended December 31, 2018 and 2017 is provided in Note 6(31).

B. In 2017, the acquisition price was adjusted pursuant to the contingent consideration provision in the business transfer agreement signed in 2011 with Kei Kong Electronic Ltd. As a result, the goodwill from the business combination was also adjusted in the amount of $63,839.

C. The Group evaluated the impairment of recoverable amount of the goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

   The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group’s estimated average annual revenue growth rate is 5%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, no recognition of impairment loss of goodwill was recognised for the years ended December 31, 2018 and 2017.

(9) Other non-current assets

	December 31, 2018	December 31, 2017
Long-term prepaid rents	$ 267,160	$ 188,026
Refundable deposit	134,775	114,897
Prepayment for property	53,393	222,614
Prepayment for machinery	25,899	11,247
Net defined benefit asset	1,365	1,125
Overdue receivables	-	85,709
Others	52,005	66,724
	$ 534,597	$ 690,342

A. Because the ownership transfer and acceptance of the property have been completed in the first quarter of 2018 and 2017, the prepayment for property was then transferred to ‘long-term prepaid rents’ and ‘property, plant and equipment’. Please refer to Note 6(6) for details.

The amount transferred to ‘long-term prepaid rents’ resulted from the Group’s land use right contract in China. For the years ended December 31, 2018 and 2017, the Group recognised rent for the land use right amounting to $3,742 and $3,123, respectively.

B. The Company’s indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for property development with third parties in the fourth quarter of 2018. The agreements pertain to purchases of property located in Hangzhou Municipality for business use. The agreement amounted to RMB 11,707 thousand. As of December 31, 2018, the Group has already paid $53,393 (approximately RMB 11,707 thousand, shown as ‘prepayment for property’).

(10) Short-term borrowings

	December 31, 2018	December 31, 2017
Credit loans	$ 25,997,237	$ 20,708,832
Secured borrowings	115,526	3,654,140
	$ 26,112,763	$ 24,362,972
Interest rates per annum	0.9114%~4.7894%	0.9066%~5.0025%

Please refer to Note 8 for details of the collaterals of abovementioned secured borrowings.

(11) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper	$ 1,830,000	$ 1,500,000
Amortisation of discount	(1,487)	(983)
	$ 1,828,513	$ 1,499,017
Coupon rate	0.57%~0.89%	0.53%~0.85%

The notes and bills were issued under securities and acceptance offered by the financial institutions to fund short-term capital. The issuance period is within 90 days.

(12) Financial liabilities at fair value through profit or loss

Liabilities	December 31, 2018	December 31, 2017
Current items:		
Derivatives	$ 3,994	$ 7,777

A. The Group recognised net gain of $77,103 and net loss of $6,862 (shown as 'other gains and losses') on financial liabilities at fair value through profit or loss for the years ended December 31, 2018 and 2017, respectively.

B. The non-hedging derivative instruments and contract information are as follows:

	December 31, 2018		
Derivative financial liabilities	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	18,000	2018.11.28~2019.3.28
Cross currency swap contracts	USD (BUY)	10,000	2018.12.26~2019.2.26

	December 31, 2017		
Derivative financial liabilities	Contract amount (Notional principal) (In thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD (BUY)	12,000	2017.12.5~2018.3.21
Cross currency swap contracts	USD (BUY)	15,000	2017.12.21~2018.3.20

(a) The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For interest rate, to hedge the exchange risk of floating rate, the Company exchanged fixed rate of NTD for floating rate of USD. However, these cross currency swap contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

(13) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonuses payable	$ 819,302	$ 761,196
Accrued VAT payable	220,901	47,805
Finance cost payable	176,467	104,081
Costs to provide technical services payable	73,454	86,311
Insurance expense payable	68,311	37,565
Freight payable	59,439	55,978
Pension expense payable	13,065	14,710
Others	291,923	310,964
	$ 1,722,862	$ 1,418,610

(14) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 1,074,200	$ 1,242,200
Less: Discount on bonds payable	(7,452)	(25,673)
	1,066,748	1,216,527
Less: Bonds payable, current portion	(1,066,748)	-
	$ -	$ 1,216,527

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the domestic unsecured convertible bonds issued by the Company are as follows:

i. The Company issued $1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On December 31, 2018, the conversion price was NT$31.3 per share.

iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $40,362 were separated from the liability component and were recognised in 'capital surplus-share options' as of December 31, 2018, in accordance with IAS 32.

C. As of December 31, 2018, the convertible bonds converted into 12,591 thousand common shares totaled $425,800 at par value.

D. For the years ended December 31, 2018 and 2017, the amortised discount of bonds payable was $16,351 and $17,579, respectively.

(15) Long-term loans

		December 31, 2018	
Type of loans	Period	Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	$ 1,500,000	$ 625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	368,580	368,580
		$ 1,868,580	993,580
Less: Long-term borrowings, current portion			(870,720)
			$ 122,860
Range of interest rates			1.05%~3.7526%

		December 31, 2017	
Type of loans	Period	Credit line	Amount
Syndicated loans (Mega Bank and 7 other banks)	2013/12/18~2018/12/18	$ 1,333,333	$ -
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	1,500,000	625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	357,120	357,120
		$ 3,190,453	$ 982,120
Range of interest rates			1.06%~2.589%

A. The Group has signed a syndicated loan agreement whereby the Group is obligated to avail of borrowings equivalent to a certain percentage of the credit line during the period from six months after the date of first drawdown. If the total borrowings do not reach the minimum availment amount as specified in the loan agreement, the Group is required to pay a commitment fee of 0.1% per annum based on the unavailed portion of the credit line. As of December 31, 2017, the Company has not used any of the aforementioned syndicated loans. However, in June 2018, the Group applied for the cancellation of the credit line in advance. As of December 31, 2018, the undrawn credit line of the syndicated loans amounting to $1,000,000 had all been cancelled.

B. The loan is classified as long-term liabilities since the term of the loan is more than one year and the Group plans to re-finance. Under the syndicated loan agreement, the credit line decreases equally during the remaining contract period from 3 years after the date of first drawdown.

C. Under the Bank SinoPac borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the syndicated loans. The Group's financial ratios in the consolidated financial statements for the year ended December 31, 2018 met the financial commitment of abovementioned borrowing contract.

D. The Group's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 197,029	$ 186,079
Fair value of plan assets	(126,437)	(119,705)
Net defined benefit liability	$ 70,592	$ 66,374
Shown as 'other non-current assets'	$ 1,365	$ 1,125
Shown as 'other non-current liabilities'	$ 71,957	$ 67,499

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 186,079	$ 119,705	$ 66,374
Current service cost	1,153	-	1,153
Interest (expense) income	2,444	1,514	930
	189,676	121,219	68,457
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,294	(3,294)
Change in financial assumptions	6,703	-	6,703
Experience adjustments	3,037	-	3,037
	9,740	3,294	6,446
Pension fund contribution	-	4,311	(4,311)
Paid pension	(2,387)	(2,387)	-
Balance at December 31	$ 197,029	$ 126,437	$ 70,592

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 112,479	$ 100,251	$ 12,228
Acquired from business combinations	65,298	14,545	50,753
Past service cost	(2,715)	-	(2,715)
Current service cost	1,055	-	1,055
Interest (expense) income	1,951	1,584	367
	178,068	116,380	61,688
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(609)	609
Change in financial assumptions	2,958	-	2,958
Experience adjustments	5,053	-	5,053
	8,011	(609)	8,620
Pension fund contribution	-	3,934	(3,934)
Balance at December 31	$ 186,079	$ 119,705	$ 66,374

The information on net defined benefit liability acquired through business combinations for the year ended December 31, 2017 is provided in Note 6(31).

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being approval by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	0.9%~1.2%	1.1%~1.63%
Future salary increases	3%	3%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 5,785)	$ 6,013	$ 5,389	($ 5,225)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 5,858)	($ 6,125)	$ 5,646	($ 5,441)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2019 amount to $4,286.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 10~18 years.

B. Defined contribution pension plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People's Republic of China (PRC). These companies contribute monthly an amount based on 1%~21% of the employees' monthly salaries based on the employees' domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees' monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.

(c) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2018 and 2017 were $179,621 and $139,363, respectively.

(17) Share-based payment

A. For the year ended December 31, 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2017.11.13	5,479 thousand shares	-	Vested immediately

B. The fair value of stock options granted on November 13, 2017 is measured as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividend	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2017.11.13	$46.95	$38	-	-	-	-	$8.95

Compensation cost of share-based payment of $49,037 was recognised for cash capital increase reserved for employee preemption for the year ended December 31, 2017.

(18) Share capital

A. As of December 31, 2018, the Company's authorised capital was $10,000,000, consisting of 1 billion shares of ordinary stock (including 82 million shares reserved for employee stock options), and the paid-in capital was $5,551,889 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	2018	2017
	Shares (in thousands)	Shares (in thousands)
At January 1	552,262	471,519
Cash capital increase	-	75,000
Shares converted from bonds	5,349	5,743
At December 31	557,611	552,262

C. For the fourth quarter of 2018, convertible bonds amounting to $75,800 in total par value were requested for conversion into 2,422 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed as of December 31, 2018.

(19) Capital surplus

A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. For the information relating to capital surplus-share options, please refer to Note 6(14).

	2018			
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates
At January 1	$ 8,565,163	$ 40,742	$ 46,675	$ 8,159
Conversion of convertible bonds	118,956	-	(6,313)	-
At December 31	$ 8,684,119	$ 40,742	$ 40,362	$ 8,159

	2017			
	Share premium	Treasury share transactions	Stock options	Net change in equity of associates
At January 1	$ 6,268,305	$ 40,742	$ 54,332	$ 8,680
Issuance of common stock for cash	2,100,000	-	-	-
Share-based payments	49,037	-	-	-
Conversion of convertible bonds	147,821	-	(7,657)	-
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	(521)
At December 31	$ 8,565,163	$ 40,742	$ 46,675	$ 8,159

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be determined based on the Company’s dividend policy, taking into account the indispensability of taking the earnings to back up the capital needs. The appropriation shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company’s dividend policy is regulated by the Board of Directors taking into consideration the Company’s operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company’s dividend policy is summarised below:

At least 40% of the Company’s earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company’s paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company’s paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. According to the resolutions adopted by the stockholders during their meetings in June 2018 and 2017, the distribution information of the Company’s 2017 and 2016 earnings is as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 251,990		$ 169,946	
Special reserve	109,102		-	
Cash dividends	1,381,423	$ 2.5	1,141,780	$ 2.4
	$ 1,742,515		$ 1,311,726	

(a)As of March 22, 2019, the appropriation of 2018 earnings has not yet been resolved by the Board of Directors.

(b)Information on the appropriation of the Company’s earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the “Market Observation Post

System” at the website of the Taiwan Stock Exchange.

F. For the information relating to employees’ compensation and directors’ and supervisors’ remuneration, please refer to Note 6(28).

(21) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	$ 865,950	($ 975,052)	($ 109,102)
Effects on retrospective application of IFRS 9	(22,321)	-	(22,321)
Valuation adjustment on equity instruments	(317,172)	-	(317,172)
Disposals reclassified as retained earnings	(277,925)	-	(277,925)
Currency translation differences:			
– Group	-	588,893	588,893
– Associates	-	(5,941)	(5,941)
At December 31, 2018	$ 248,532	($ 392,100)	($ 143,568)

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2017	$ 1,017,416	$ 162,084	$ 1,179,500
Valuation losses on equity instruments	(151,466)	-	(151,466)
Currency translation differences:			
– Group	-	(1,137,942)	(1,137,942)
– Associates	-	806	806
At December 31, 2017	$ 865,950	($ 975,052)	($ 109,102)

(22) Non-controlling interests

	2018	2017
At January 1	$ 634	$ 640
Share attributable to non-controlling interest:		
Profit for the year	286	239
Exchange differences on translation of foreign financial statements	3	(74)
Unrealised gains on available-for-sale financial assets	-	1
Unrealised financial assets at fair value through other comprehensive income	4	-
Decrease in non-controlling interests	(215)	(172)
At December 31	$ 712	$ 634

(23) Operating revenue

	Years ended December 31,	
	2018	2017
Contract revenue		
Sale of electronic components	$ 273,277,356	$ 189,225,055
Other operating revenue	139,129	194,180
	$ 273,416,485	$ 189,419,235

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time. Please refer to Note 14(4) for revenue information by category.

B. The Group has recognised the following revenue-related contract liabilities provisions for estimated sales discounts:

	December 31, 2018
Refund liabilities-sales discounts and returns	$ 879,111
Contract liabilities-advance sales receipts	$ 118,246

(24) Other income

	Years ended December 31,	
	2018	2017
Interest income	$ 13,232	$ 9,217
Dividend income	17,634	8,250
Rent revenue	2,746	2,893
Other current liabilities recognised as other revenue	-	2,888
Other income	33,923	20,611
	$ 67,535	$ 43,859

(25) Other gains and losses

	Years ended December 31,	
	2018	2017
Foreign exchange loss, net	$ 25,435	($ 25,997)
Gain on financial assets and liabilities at fair value through profit or loss - derivatives	77,103	(6,862)
Gain on financial assets at fair value through profit or loss – equity instruments	3,025	-
Impairment loss on financial intruments	-	(7,694)
Loss on disposal of property, plant and equipment	(838)	(425)
Gain on disposal of investment	-	243,817
Other losses	(2,821)	(2,017)
	$ 101,904	$ 200,822

(26) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	$ 875,228	$ 525,261
Convertible bonds	16,351	17,579
Interest on short-term notes	11,070	6,876
Financing charges on accounts receivable factoring	766,080	387,665
Other finance costs	29,955	25,410
	$ 1,698,684	$ 962,791

(27) Expenses by nature

	Years ended December 31,	
	2018	2017
Employee benefit expense	$ 3,223,705	$ 2,554,946
Depreciation	83,271	62,882
Amortisation	10,642	10,874
	$ 3,317,618	$ 2,628,702

(28) Employee benefit expense

	Years ended December 31,	
	2018	2017
Employee benefit expense		
Wages and salaries	$ 2,653,598	$ 2,118,801
Labour and health insurance fees	101,830	83,700
Pension costs	181,704	139,363
Other personnel expenses	286,573	213,082
	$ 3,223,705	$ 2,554,946

A. In accordance with the Articles of Incorporation of the Company as approved by the stockholders on June 3, 2016, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $31,900 and $28,740, respectively; while directors' and supervisors' remuneration was accrued at $12,000 and $12,000, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year for the years ended December 31, 2018 and 2017.

   Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2017.

   Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profit for the year	$ 743,718	$ 673,505
Tax on undistributed surplus earnings	77,023	37,950
Prior year income tax underestimation	(1,036)	(768)
Total current tax	819,705	710,687
Deferred tax:		
Origination and reversal of temporary differences	37,894	(125,712)
Impact of change in tax rate	(14,135)	-
Effect of exchange rate	(1,169)	(221)
Total deferred tax	22,590	(125,933)
Income tax expense	$ 842,295	$ 584,754

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Remeasurements of defined benefit obligations	$ 1,289	$ 1,466
Currency translation differences	(3,951)	1,872
Impact of change in tax rate	2,928	-
	$ 266	$ 3,338

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 1,127,328	$ 750,248
Effects from items disallowed by tax regulation	(348,159)	(201,292)
Change in assessment of realisation of deferred tax assets	-	(1,384)
Additional 10% tax on undistributed earnings	77,023	37,950
Prior year income tax overestimation	(1,036)	(768)
Effects from Alternative Minimum Tax	1,274	-
Effect from changes in tax regulation	(14,135)	-
Income tax expense	$ 842,295	$ 584,754

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:					
Allowance for sales returns and discounts	$ 218,469	$ 81,331	$ -	$ -	$ 299,800
Allowance for doubtful accounts	113,359	4,268	-	3,047	120,674
Reserve for inventory obsolescence and market price decline	185,703	7,781	-	(6)	193,478
Others	50,371	(4,524)	369	(141)	46,075
	$ 567,902	$ 88,856	$ 369	$ 2,900	$ 660,027
-Deferred tax liabilities:					
Foreign investment income using equity method	($ 350,908)	($ 100,920)	$ -	$ -	($ 451,828)
Others	(2,016)	(11,695)	(103)	(4)	(13,818)
	($ 352,924)	($ 112,615)	($ 103)	($ 4)	($ 465,646)

	Year ended December 31, 2017					
	January 1	Acquisition from business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Effect of exchange rate	December 31
-Deferred tax assets:						
Allowance for sales returns and discounts	$ 149,056	$ 7,069	$ 62,344	$ -	$ -	$ 218,469
Allowance for doubtful accounts	88,124	301	31,706	-	(6,772)	113,359
Reserve for inventory obsolescence and market price decline	156,511	10,582	18,597	-	13	185,703
Others	14,134	17,324	13,685	4,987	241	50,371
	$ 407,825	$ 35,276	$ 126,332	$ 4,987	($ 6,518)	$ 567,902
-Deferred tax liabilities:						
Foreign investment income using equity method	($ 246,873)	($ 68,117)	($ 35,918)	$ -	$ -	($ 350,908)
Others	(37,732)	2,061	35,298	(1,649)	6	(2,016)
	($ 284,605)	($ 66,056)	($ 620)	($ 1,649)	$ 6	($ 352,924)

The information on deferred tax assets and liabilities acquired through business combinations as of December 31, 2017 is provided in Note 6(31).

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 14,469	$ 14,593

E. The Company has assessed that the taxable temporary differences arising on investments in subsidiaries will not reverse in the foreseeable future. Accordingly, the Company did not recognise the full amount as deferred tax liabilities. As of December 31, 2018 and 2017, the temporary differences of unrecognised deferred tax liabilities were $3,640,781 and $5,338,854, respectively.

F. The Company’s income tax returns through 2016 have been assessed and approved by the Tax Authority.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$ 2,778,229	553,629	$ 5.02
Diluted earnings per share			
Profit attributable to shareholders of the parent	2,778,229	553,629	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	16,351	38,315	
Employees' compensation	-	831	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,794,580	592,775	$ 4.71

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to shareholders of the parent	$ 2,519,897	479,475	$ 5.26
Diluted earnings per share			
Profit attributable to shareholders of the parent	2,519,897	479,475	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	17,579	38,989	
Employees' compensation	-	790	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,537,476	519,254	$ 4.89

(31) Business combination

The following business combinations occurred during the years ended December 31, 2018 and 2017:

A. Acquisition of all the equity shares of Maxtek Technology Co., Ltd. ("Maxtek") and its subsidiaries

(a) In accordance with the resolution adopted by the stockholders in June, 2017, the Company decided to acquire all shares of Maxtek Technology Co., Ltd. (Maxtek) through stock swap at $27 (in dollars) per share. Total acquisition consideration was $1,895,949, and the effective date was October 1, 2017. Maxtek engages mainly in the sales of integrated circuits and other electronic components. The purpose for the acquisition was to integrate resources and expand operating scales and enhance competition, as well as, to improve the diversity of the Group's product and customer services.

(b) The following table summarises the consideration paid for Maxtek Technology Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

Purchase consideration - Cash	$	1,895,949
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		1,286,308
Notes and accounts receivable		4,114,423
Other receivables		78,185
Inventories		1,367,045
Prepayments		80,138
Other current assets		425,878
Non-current available-for-sale financial assets		112,113
Property, plant and equipment		16,430
Intangible assets		5,949
Deferred income tax assets		35,276
Other non-current assets		15,026
Short-term borrowings	(	4,118,893)
Accounts payable	(	1,470,028)
Other payables	(	139,918)
Current income tax liabilities	(	14,436)
Other current liabilities	(	27,024)
Deferred income tax liabilities	(	66,056)
Net defined benefit liability	(	50,753)
Other non-current liabilities	(	16)
Total identifiable net assets		1,649,647
Goodwill	$	246,302

(c) On October 1, 2017, Maxtek Technology Co., Ltd. was included in the Group. Had Maxtek Technology Co., Ltd. been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of $199,715,571 and profit before income tax of $3,124,053 for the year ended December 31, 2017.

B. The subsidiary, Morrihan International Corp., acquired a part of the electronic component distribution business of Promate Electronic Co., Ltd. (“Promate Electronic”).

(a) On October 31, 2017, the Group signed a business transfer agreement with Promate Electronic, acquiring a part of the company’s electronic component distribution business for $17,500. The record date of the transfer was February 1, 2018.

(b) Promate Electronic is a distributor of electronic components with the greater China region as its primary market.

(c) As of December 31, 2018, actual payment of $22,439 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.

(d) As of December 31, 2018, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

C. The Company acquired part of the electronic component distribution business of STC Corporation.

(a) In June 2018, the Group signed a business transfer agreement with STC Corporation, acquiring part of the company's electronic component distribution business in cash. The record date of the transfer was October 5, 2018.

(b) If the gross profit exceeds US$4 million during the period from July 2018 to June 2020, 70% of excess amounts shall be paid in cash as additional consideration as stipulated in a contingent consideration agreement, which were included in considerations payable amounting to $169,920 (US$5,500 thousand) under the business transfer agreement. The Company has evaluated the possibility of contingent events that may occur based on the cost of distribution business.

(c) STC Corporation is a distributor of electronic components with the greater Korea region as its primary market.

(d) The actual consideration payment will be adjusted during the period from July 2018 to June 2020 according to the conditions stipulated in the business transfer agreement.

(e) As of December 31, 2018, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

(32) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 156,880	$ 97,404
Add: Opening balance of payable on equipment	10,216	-
Ending balance of prepayments for business facilities	25,899	11,247
Less: Ending balance of payable on equipment	(13,396)	(10,216)
Opening balance of prepayments for business facilities	(11,247)	-
Effect of foreign exchange	1	(4)
Cash paid during the year	$ 168,353	$ 98,431

B. Cash paid for the acquisition of business subsidiary:

	Year ended December 31, 2017
Current assets	$ 7,351,977
Non-current available-for-sale financial assets	112,113
Property, plant and equipment	16,430
Goodwill	246,302
Other non-current assets	56,251
Short-term borrowings	(4,118,893)
Other current liabilities	(1,651,406)
Non-current liabilities	(116,825)
Total consideration	1,895,949
Less: Cash of subsidiary	(1,286,308)
Net cash paid for acquisition of business and subsidiary	$ 609,641

(33) Changes in liabilities from financing activities

	Short-term borrowings (Note)	Short-term notes and bills payable	Bonds payable	Long-term loans	Liabilities from financing activities-gross
At January 1, 2018	$ 24,362,972	$ 1,499,017	$ 1,216,527	$ 982,120	$ 28,060,636
Changes in cash flow from financing activities	2,495,603	318,426	-	(750,000)	2,064,029
Impact of changes in foreign exchange rate	4,188	-	-	11,460	15,648
Interest expense from amortisation of short-term notes and bills payable	-	11,070	-	-	11,070
Reclassification to long-term liabilities - current portion	1,187,468	-	(1,066,748)	(120,720)	-
Interest expense from amortisation of convertible bonds	-	-	16,351	-	16,351
Conversion of convertible bonds	-	-	(166,130)	-	(166,130)
At December 31, 2018	$ 28,050,231	$ 1,828,513	$ -	$ 122,860	$ 30,001,604

Note: Including long-term liabilities - current portion

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Company’s significant related party transactions are included in the consolidated financial statements. The related transactions were eliminated when preparing the consolidated financial statements. Details of transactions with other related parties are provided in Note 13.

(2) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 86,339	$ 117,147
Post-employment benefits	713	1,251
Share-based payments	-	806
	$ 87,052	$ 119,204

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

		Book value	
Pledged asset	Purpose	December 31, 2018	December 31, 2017
Accounts receivable, net:			
Pledged accounts receivable	Bank loan	$ -	$ 881,273
Other current assets:			
Bank deposits	Bank loan	36,244	394,032
	Guarantee for customs duties	10,756	27,409
	Bid bond	2,979	2,887
		$ 49,979	$ 1,305,601

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Most of the Group's operating leases are for the lease of offices and warehouses which can be renewed at market price at the end of the lease period. The total minimum future lease payments are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 195,184	$ 152,278
Later than one year but not later than five years	430,026	304,350
Over 5 years	155,003	211,845
	$ 780,213	$ 668,473

B. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	December 31, 2018	December 31, 2017
Outstanding letters of credit	$ 4,876,723	$ 4,986,386

C. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	December 31, 2018	December 31, 2017
Customs duties guarantee	$ 86,022	$ 69,409

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2018 and 2017, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

The types of financial instruments held by the Group include cash and cash equivalents, financial assets measured at fair value through other comprehensive income/available-for-sale financial assets, net accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, financial assets and liabilities measured at fair value through profit or loss, accounts payable, other payables, bonds payable, and long-term loans. Please refer to Note 6 and the consolidated balance sheets for more information.

B. Risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(12).

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(12).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$1,164,613	30.715	$ 35,771,088	1%	$ 357,711
USD:RMB	1,482	6.8540	45,520	1%	455
USD:KRW	17,482	1,121.4	536,960	1%	5,370
Non-monetary items					
USD:NTD	10,888	30.715	334,412		
Foreign operations					
USD:NTD	350,189	30.715	10,745,345		
Financial liabilities					
Monetary items					
USD:NTD	1,178,851	30.715	36,208,408	1%	362,084
USD:RMB	25,113	6.8540	771,346	1%	7,713
USD:KRW	25,053	1,121.4	769,503	1%	7,695

	December 31, 2017				
				Sensitivity analysis	
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 803,612	29.76	$ 23,915,493	1%	$ 239,155
USD:RMB	6,407	6.5148	41,740	1%	417
Non-monetary items					
USD:NTD	30,119	29.76	896,342		
Foreign operations					
USD:NTD	354,650	29.76	10,541,188		
Financial liabilities					
Monetary items					
USD:NTD	819,737	29.76	24,395,373	1%	243,954
USD:RMB	18,695	6.5148	121,794	1%	1,218

v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $25,435 and ($25,997), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2018 and 2017, other components of equity would have increased/decreased by $5,458 and $11,089, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in US Dollars.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $72,377 and $62,908, respectively. The main factor is that changes in interest expense result on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only approved by FSC are accepted. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.

iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	Notes and accounts receivable	
	December 31, 2018	December 31, 2017
Not past due	$ 30,510,181	$ 26,313,778
Up to 90 days	5,596,250	5,992,844
91 to 180 days	130,296	90,447
Over 180 days	1,173,614	1,116,621
	$ 37,410,341	$ 33,513,690

(i) The above ageing analysis was based on days past due.

(ii) Abovementioned notes receivable are not past due.

v. The Group assesses the expected credit losses of its accounts receivable as follows:

(i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;

(ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;

(iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.

(iv) As of December 31, 2018, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

December 31, 2018	Individual	Group A & B	Group C	Group D	Total
Expected loss rate	90.86%	0.05%	0.03%~17.48%	4.44%~41.41%	
Total book value	$ 1,241,425	$ 20,121,594	$ 14,504,225	$ 1,543,097	$ 37,410,341
Loss allowance	$ 1,127,919	$ 10,061	$ 29,506	$ 115,519	$ 1,283,005

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	Year ended December 31, 2018
At January 1_IAS 39	$ 1,101,896
Adjustments under new standards	97,989
At January 1_IFRS 9	1,199,885
Provision for impairment	59,845
Effect of exchange rate changes	23,275
At December 31	$ 1,283,005

vii. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2018

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Bonds payable	$ 1,074,200	$ -	$ -	$ 1,074,200
Long-term borrowings	870,720	122,860	-	993,580
	$ 1,944,920	$ 122,860	$ -	$ 2,067,780

December 31, 2017

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Bonds payable	$ -	$ 1,242,200	$ -	$ 1,242,200
Long-term borrowings	-	863,080	119,040	982,120
	$ -	$ 2,105,280	$ 119,040	$ 2,224,320

Except for the abovementioned, the Group's non-derivative financial liabilities are due in one year.

Derivative financial liabilities

As of December 31, 2018 and 2017, all derivative financial liabilities of the Group are due in one year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. This includes the fair value of all investments in publicly listed companies.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes the fair value of all investments in derivative financial instruments.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(7).

C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 505,969	$ -	$ 39,858	$ 545,827
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivative instrument	$ -	$ 3,994	$ -	$ 3,994

December 31, 2017

	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 1,108,938	$ -	$ -	$ 1,108,938
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Derivative instrument	$ -	$ 7,777	$ -	$ 7,777

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	Equity securities	
	2018	2017
At January 1	$ -	$ -
Adjustment on transfer of IFRS 9	9,143	-
Acquired in the year	29,105	-
Effect of exchange rate changes	1,610	-
At December 31	$ 39,858	$ -

For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 39,858	Latest transaction price without active market	N/A	N/A	N/A

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

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

i. Financial assets at fair value through profit or loss are financial assets (liabilities) held for trading. Financial assets (liabilities) are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets (liabilities) held for trading unless they are designated as hedges.

ii. Financial assets (liabilities) at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets (liabilities) are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(b)Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets carried at cost'.

(c)Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

B. The reconciliation of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Available-for-sale-equity-current	Available-for-sale-equity-non-current			Effects	
	Measured at fair value through other comprehensive income-equity-current	Measured at fair value through other comprehensive income-equity-non-current	Measured at cost	Total	Retained earnings	Other equity
IAS 39	$ 466,686	$ 642,252	$ 9,143	$ 1,118,081	$ -	$ -
Transferred into and measured at fair value through other comprehensive income-equity	-	9,143	(9,143)	-	-	-
Impairment loss adjustment	-	-	-	-	22,321	(22,321)
IFRS 9	$ 466,686	$ 651,395	$ -	$ 1,118,081	$ 22,321	($ 22,321)

C. The reconcilation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Accounts receivable
IAS 39	$ 32,326,085
Impairment loss adjustment	(97,989)
IFRS 9	$ 32,228,096

D. The significant accounts as of December 31, 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 29,050
Valuation adjustment	437,636
	$ 466,686
Non-current items:	
Listed stocks	$ 67,560
Emerging stocks	26,551
	94,111
Valuation adjustment	548,141
	$ 642,252

i. Please refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income for the year ended December 31, 2017. This included amounts resulting from the disposal of certain financial assets, which were reclassified from “unrealised gains or losses on available-for-sale financial assets” to “other gains and losses-gains on investment disposals”. Please refer to Note 6(25) for more information.

ii. The Group has no debt instruments available-for-sale financial assets.

iii. As of December 31, 2017, no available-for-sale financial assets held by the Group were pledged to others.

(b) Financial assets at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	$ 9,143

i. According to the Group’s intention, its investment in unlisted stocks should be classified as ‘available-for-sale financial assets’. However, as unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to unlisted companies’ financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions and government organisations with investment grade or above have no significant compliance concern, there is no significant credit risk.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Group A	$ 7,016,237
Group B	6,195,663
Group C	12,803,577
Group D	242,189
	$ 26,257,666

Group A：Customers with excellent credit rating

Group B：Customers with fine credit rating

Group C：Customers with normal credit rating

Group D：Rated as other than A, B or C.

(d) The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 4,969,824
31 to 180 days	1,056,524
181 to 365 days	7,352
Over 365 days	120,428
	$ 6,154,128

The above aging analysis was based on past due date.

(e) As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $1,101,896.

Movements in allowance for individual provision for doubtful accounts were as follows:

	2017
At January 1	$ 908,998
Provision for doubtful accounts	199,421
Effect of changes in exchange rate	(6,523)
At December 31	$ 1,101,896

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Revenue recognition

(a) The Group sells electronic and communication components. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Group offers customers volume discounts and estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

B. In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

(a) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as contract liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to $1,218,886.

(b) Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as other current liabilities-advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to $102,535.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(12).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined to separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	Greater China Region	
	Years ended December 31,	
	2018	2017
Revenue from external customers	$ 254,093,172	$ 169,722,818
Segment income	$ 3,528,551	$ 2,835,703
Segment assets (Note)	$ -	$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	Years ended December 31,	
Operating revenue	2018	2017
Total reported segment revenue	$ 254,093,173	$ 169,722,818
Other operating segment revenue	19,323,312	19,696,417
Total operating revenue	$ 273,416,485	$ 189,419,235

	Years ended December 31,	
Profit and loss	2018	2017
Income of reported segment	$ 3,528,551	$ 2,835,703
Income of other operating segments	92,259	269,187
Income before income tax from continuing operations	$ 3,620,810	$ 3,104,890

(4) Revenue information by category

	2018		2017	
	Amount	%	Amount	%
Analog IC	$ 116,014,167	42	$ 75,836,412	40
IC Memory	22,241,044	8	17,337,644	9
Application-Specific IC	22,263,146	8	16,380,664	9
Discrete Devices	15,942,063	6	14,057,431	7
Chipset	14,649,833	5	11,869,701	6
Others	82,306,232	31	53,937,383	29
	$ 273,416,485	100	$ 189,419,235	100

(5) Revenue information by geographic area

Geographical information for the years ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 43,657,362	$ 1,995,490	$ 28,593,556	$ 1,813,433
China	199,202,138	468,114	132,931,807	724,856
Others	30,556,985	518,776	27,893,872	505,725
	$ 273,416,485	$ 2,982,380	$ 189,419,235	$ 3,044,014

The above revenue by geographic area is calculated based on sales to external customers at the location where payments are collected.

(6) Major customers' information

Major customer information of the Group for the year ended December 31, 2017 is as follows:

	Year ended December 31, 2017
Customer A	$ 20,356,680

For the year ended December 31, 2018, the amount of sales to each customer has not exceeded 10% of total sales revenue.

WT Microelectronics Co., Ltd. and subsidiaries

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	$ 897,500	$ 896,300	$ -	1.00%	2	$ -	Business Operation	$ -	-	$ -	$ 2,180,688	$ 8,722,750	Note 3
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Other receivables - related parties	Y	1,200,000	-	-	1.80%	2	-	Business Operation	-	-	-	2,180,688	8,722,750	Note 3
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	350,000	350,000	307,150	1.80%	2	-	Business Operation	-	-	-	2,180,688	8,722,750	Note 3
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Other receivables - related parties	Y	350,000	350,000	307,150	1.80%	2	-	Business Operation	-	-	-	2,180,688	8,722,750	Note 3
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Other receivables - related parties	Y	309,750	307,150	107,503	1.80%	2	-	Business Operation	-	-	-	2,180,688	8,722,750	Note 3
1	WT MICROELECTRONICS (HONG KONG) LIMITED	WT SOLOMON QCE LIMITED	Other receivables - related parties	Y	766,875	-	-	2.00%	2	-	Business Operation	-	-	-	1,762,480	1,762,480	Note 2
2	WINTECH MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	154,150	153,575	153,575	2.60%	2	-	Business Operation	-	-	-	2,658,725	3,544,966	Note 4
2	WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Other receivables - related parties	Y	681,450	675,730	534,441	2.00%	2	-	Business Operation	-	-	-	8,862,415	8,862,415	Note 2
3	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	187,044	-	-	1.00%	2	-	Business Operation	-	-	-	735,513	735,513	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	294,263	291,793	291,793	2.3% ~2.788%	2	-	Business Operation	-	-	-	513,352	513,352	Note 2
5	MORRIHAN SINGAPORE PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	238,080	-	-	2.00%	2	-	Business Operation	-	-	-	212,927	212,927	Note 2
6	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	86,730	86,002	86,002	2.30%	2	-	Business Operation	-	-	-	91,956	91,956	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The policy for loans between the Company and subsidiaries and companies with short-term capital needs is as follows: limit on loans granted by the Company and subsidiaries to a single party is 30% of the company's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an company is 40% of the company's net assets.

Note 5: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2018	Outstanding endorsement / guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser / guarantor (Note 2)											
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	$ 17,445,501	$ 350,000	$ 350,000	$ 350,000	-	1.60%	$ 17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	17,445,501	262,000	262,000	135,239	-	1.20%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	17,445,501	154,875	153,575	69,136	-	0.70%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	17,445,501	619,500	614,300	307,150	-	2.82%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	17,445,501	2,168,250	2,150,050	2,150,050	-	9.86%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	17,445,501	89,280	64,502	43,444	-	0.30%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	17,445,501	1,549	1,536	85	-	0.01%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	17,445,501	309,750	307,150	-	-	1.41%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	17,445,501	247,800	245,720	-	-	1.13%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	17,445,501	3,342,900	3,328,928	1,614,261	-	15.27%	17,445,501	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	17,445,501	1,574,762	1,554,158	761,855	-	7.13%	17,445,501	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	17,445,501	185,850	184,290	19,863	-	0.85%	17,445,501	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	17,445,501	1,239,000	1,228,600	1,228,600	-	5.63%	17,445,501	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,209,309	10,000	10,000	10,000	-	0.66%	1,209,309	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,989,730	14,000	14,000	14,000	-	0.37%	2,989,730	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	876,582	56,113	53,778	26,889	10,756	4.91%	876,582	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,610,410	555,980	313,575	9,500	-	15.58%	1,610,410	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,610,410	225,484	214,575	-	-	10.66%	1,610,410	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,610,410	9,500	9,500	9,500	-	0.47%	1,610,410	N	N	N	Note 4
5	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	547,151	9,500	9,500	9,500	-	1.39%	547,151	N	N	N	Note 4

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

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor’s net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company’s net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries

Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of December 31, 2018 Number of shares	Book value	Ownership (%)	Fair value	Footnote
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	$ 5,963	2.19	$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.27	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	205	0.14	205	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	2,675	0.73	2,675	
WT MICROELECTRONICS CO., LTD.	Common stock	FORTUNE SERVICE INNOVATION FUND I	None	2	30,000	300	3.00	300	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	22,059	0.48	22,059	
WINTECH MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1、2	282,664	303,697	0.88	303,697	
WINTECH MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	30,715	0.79	30,715	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	42,681	2.33	42,681	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	109,501	1.82	109,501	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	28,031	0.47	28,031	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current
2- Financial assets at fair value through other comprehensive income - non-current

WT Microelectronics Co., Ltd. and subsidiaries

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	$ 45,867,046	21	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	$ 6,582,968	31	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	18,715,251	9	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	878,546	4	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	10,434,535	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	6,966,792	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	6,168,945	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	897,976	4	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	2,503,727	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	794,442	4	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,338,450	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	407,472	2	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	1,450,374	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	686,785	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	15,075	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	4,413,815	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(68,153)	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	4,367,513	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	2,288,238	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	(232,957)	1	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	1,718,915	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	348,946	25	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	1,336,343	12	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	113,045	8	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales)	Transaction: Credit term	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit term	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Footnote
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	$ 890,981	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	$ 347,876	25	
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	3,270,593	5	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,509,833	23	
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	846,130	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	85,240	1	
MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	319,794	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	191,041	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	49,143	1	
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	170,040	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	25,132	-	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	542,295	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	153,878	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	39,279	3	
TECHMOSA INTERNATIONAL INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	134,067	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	36,777	2	
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	1,247,139	13	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Affiliates	Sales	109,006	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	838,190	23	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	283,185	-	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	5,314,228	70	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	782,989	100	
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	2,319,354	30	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT TECHNOLOGY (H.K.) LIMITED	WT TECHNOLOGY KOREA CO., LTD	Affiliates	Sales	379,343	91	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	32,416	86	

WT Microelectronics Co., Ltd. and subsidiaries

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	$ 6,582,968	13.89	$ 32,171	Subsequent collection	$ 6,582,968	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	897,976	6.96	-		897,976	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	878,546	11.18	-		831,351	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	794,442	4.02	-		260,450	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	407,472	8.60	285,354	Subsequent collection	407,472	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	348,946	5.65	-		-	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	347,876	3.05	-		347,876	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	232,957	4.69	-		232,957	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	113,045	11.61	-		113,045	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,509,833	4.15	-		1,509,833	
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	283,185	3.87	-		283,185	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	782,989	8.28	-		782,989	-

Note: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4): General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets (Note 5)
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	$ 45,867,046	(Note 3)	17
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	6,582,968	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Sales	18,715,251	(Note 3)	7
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Accounts receivable	878,546	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	10,434,535	(Note 3)	4
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	6,966,792	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	6,168,945	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	897,976	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	2,503,727	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	794,442	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Sales	2,338,450	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Accounts receivable	407,472	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	1,450,374	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	686,785	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	4,413,815	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	4,367,513	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	2,288,238	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	232,957	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	1,718,915	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	348,946	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	1,336,343	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Accounts receivable	113,045	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	890,981	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	347,876	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	3,270,593	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,509,833	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	846,130	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	319,794	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	3	Sales	191,041	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	170,040	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	542,295	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	153,878	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	134,067	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	1,247,139	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	Sales	109,006	(Note 3)	-
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	838,190	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Accounts receivable	283,185	(Note 3)	-

WT Microelectronics Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4) General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets (Note 5)
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	$ 5,314,228	(Note 3)	2
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	782,989	(Note 3)	1
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	2,319,354	(Note 3)	1
7	WT TECHNOLOGY (H.K.) LIMITED	WT TECHNOLOGY KOREA CO., LTD	3	Sales	379,343	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in “Number” column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	$ 3,644,147	$ 3,644,147	115,323,691	99.65	$ 8,815,533	$ 315,879	$ 315,879	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	2,080,880	342,793	342,793	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,737,104	484,786	484,786	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	747,806	18,859	18,859	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	790,392	317,619	317,333	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service	41,856	41,856	500,000	100.00	9,426	33	33	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	64,676	7,527	7,527	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,820	50	50	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	223,531	3,580	3,580	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	2,259,315	340,344	340,344	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,914,543	1,914,543	62,332,506	100.00	3,229,831	265,024	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	645,659	645,659	21,020,957	100.00	1,029,087	132,063	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	92,148	92,148	3,000,100	100.00	84,114	(9,426)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	154	154	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	$ 153,575	$ 153,575	5,000,000	100.00	$ 2,184,277	$ 568	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	72,914	72,914	5,869,093	23.07	86,146	(49,502)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	562,453	562,453	14,917,000	47.98	57,694	(189,705)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,858	36,858	1,200,000	17.65	30,795	(5,146)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,715	30,715	18,924	24.65	31,405	(2,512)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONK KONG) LIMITED	Hong Kong	Sale of electronic components	384,786	384,786	12,527,632	100.00	1,762,480	193,594	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,552	9,552	311,000	100.00	36,823	(140)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	705,660	705,660	22,974,430	100.00	735,620	3,858	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,921	3,921	1,000,000	100.00	109,307	3,085	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	809,866	809,866	110,000,000	100.00	585,570	64,626	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,720	33,720	1,500,000	100.00	239,016	79,686	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,688	3,688	500,000	100.00	3,764	(105)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	559,225	559,225	3,800,000	95.47	785,487	59,303	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	2,848	2,848	300,000	100.00	3,720	(371)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value			
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	$ 69,042	$ 69,042	407,469	0.35	$ 46,882	$ 315,878	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	31,976	711	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	46,339	624	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	53,276	53,276	180,472	4.53	28,641	59,303	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	24,089	24,089	53,505	100.00	185,005	13,659	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	155,820	9,500,000	100.00	212,927	9,194	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,515	249	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	683,939	142,992	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	567,788	432	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	69,840	69,840	21,000	100.00	67,024	(1,598)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	40,000	40,000	4,000,000	40.00	40,305	2,385	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,526	23,526	6,000,000	100.00	18,460	(1,710)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investment in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	$ 9,215	2	$ 9,215	$ -	$ -	$ 9,215	($ 138)	100.00	($ 138)	$ 36,732	$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	697,938	2	645,668	-	-	645,668	3,858	100.00	3,858	735,513	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,079,632	2	588,192	-	-	588,192	17,818	100.00	17,818	1,095,727	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	40,851	3	30,715	-	-	30,715	624	100.00	624	46,339	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	125,932	2	20,395	-	-	20,395	(48,012)	23.07	(11,076)	60,128	-	Note 8

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
WT MICROELECTRONICS CO., LTD.	$ 1,294,185	$ 2,025,256	$ 13,084,553

Note 1: The investment methods are classified into the following three categories:

(1) Directly investing in Mainland China.

(2) Through investing in companies in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: Investment gains or losses were recognised based on audited financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.