

**WT MICROELECTRONICS CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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.



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

Introduction

We have reviewed the accompanying consolidated balance sheets of WT Microelectronics Co., Ltd. and subsidiaries (the “Group”) as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$17,151,490 thousand and NT\$16,711,487 thousand, both constituting 17% of the consolidated total assets, and total liabilities of NT\$4,688,776 thousand and NT\$6,174,911 thousand, constituting 6% and 8% of the consolidated total liabilities as at September 30, 2019 and 2018, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive

~2~



資誠

income (loss) of associates and joint ventures accounted for using equity method) of NT\$216,224 thousand, NT\$230,625 thousand, NT\$337,734 thousand and NT\$559,155 thousand, constituting 27%, 23%, 17% and 23% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Jianlu, Man-Yu



Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

November 11, 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
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 6,420,873	6	\$ 3,335,181	4	\$ 2,817,507	3
1110	Financial assets at fair value	6(14)						
	through profit or loss - current		5,102	-	-	-	1,155	-
1120	Financial assets at fair value	6(2)						
	through other comprehensive							
	income - current		434,004	-	24,350	-	50,373	-
1170	Accounts receivable, net	6(3)	45,438,390	44	36,127,336	39	46,420,589	47
1200	Other receivables	6(3)(4)	1,994,868	2	2,089,219	2	1,970,130	2
130X	Inventories	6(5)	42,768,312	42	46,875,420	50	42,893,511	43
1410	Prepayments		471,736	1	342,572	-	457,660	-
1470	Other current assets	6(1) and 8	52,747	-	89,438	-	228,182	-
11XX	Total current assets		<u>97,586,032</u>	<u>95</u>	<u>88,883,516</u>	<u>95</u>	<u>94,839,107</u>	<u>95</u>
Non-current assets								
1517	Financial assets at fair value	6(2)						
	through other comprehensive							
	income - non-current		262,891	-	521,477	-	589,048	1
1550	Investments accounted for	6(6)						
	using equity method		167,300	-	246,346	-	289,560	-
1600	Property, plant and equipment	6(7)	1,024,456	1	995,294	1	958,799	1
1755	Right-of-use assets	6(8)	879,343	1	-	-	-	-
1760	Investment property - net	6(9)	104,332	-	104,942	-	105,146	-
1780	Intangible assets	6(10)	1,909,651	2	1,878,609	2	1,704,569	2
1840	Deferred income tax assets		703,649	1	660,027	1	732,431	1
1900	Other non-current assets	6(11)	146,973	-	534,597	1	509,922	-
15XX	Total non-current assets		<u>5,198,595</u>	<u>5</u>	<u>4,941,292</u>	<u>5</u>	<u>4,889,475</u>	<u>5</u>
1XXX	Total assets		<u>\$ 102,784,627</u>	<u>100</u>	<u>\$ 93,824,808</u>	<u>100</u>	<u>\$ 99,728,582</u>	<u>100</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 30,271,741	29	\$ 26,112,763	28	\$ 23,125,484	23
2110	Short-term notes and bills payable	6(13)	699,246	1	1,828,513	2	1,629,067	2
2120	Financial liabilities at fair value through profit or loss - current	6(14)	4,780	-	3,994	-	1,002	-
2130	Contract liabilities - current	6(24)	179,047	-	118,246	-	152,703	-
2170	Accounts payable		42,373,508	41	37,997,769	40	47,066,101	47
2200	Other payables	6(15)	1,692,931	2	1,722,862	2	1,672,791	2
2230	Current income tax liabilities		627,811	1	639,616	1	541,179	-
2280	Lease liabilities - current		142,305	-	-	-	-	-
2320	Long-term liabilities, current portion	6(16)(17)	186,580	-	1,937,468	2	2,132,254	2
2365	Refund liabilities - current	6(24)	831,047	1	879,111	1	1,543,882	2
2399	Other current liabilities		45,863	-	43,961	-	26,874	-
21XX	Total current liabilities		<u>77,054,859</u>	<u>75</u>	<u>71,284,303</u>	<u>76</u>	<u>77,891,337</u>	<u>78</u>
Non-current liabilities								
2530	Bonds payable	6(16)	1,160,743	1	-	-	-	-
2540	Long-term loans	6(17)	-	-	122,860	-	184,600	-
2570	Deferred income tax liabilities		484,141	1	465,646	1	493,820	1
2580	Lease liabilities - non-current		451,898	-	-	-	-	-
2600	Other non-current liabilities	6(18)	128,745	-	144,411	-	77,251	-
25XX	Total non-current liabilities		<u>2,225,527</u>	<u>2</u>	<u>732,917</u>	<u>1</u>	<u>755,671</u>	<u>1</u>
2XXX	Total liabilities		<u>79,280,386</u>	<u>77</u>	<u>72,017,220</u>	<u>77</u>	<u>78,647,008</u>	<u>79</u>
Equity attributable to owners of parent								
Share capital								
3110	Share capital - common stock	6(19)	5,903,358	6	5,551,889	6	5,525,691	6
3130	Certificates of entitlement to new shares from convertible bonds		-	-	24,217	-	26,198	-
Capital surplus								
3200	Capital surplus	6(20)	9,502,681	9	8,773,382	9	8,722,471	9
Retained earnings								
3310	Legal reserve	6(21)	2,019,788	2	1,741,965	2	1,741,965	2
3320	Special reserve		143,568	-	109,102	-	109,102	-
3350	Unappropriated retained earnings		5,961,688	6	5,749,889	6	5,141,194	5
Other equity interest								
3400	Other equity interest	6(22)	(27,546)	-	(143,568)	-	(185,697)	(1)
31XX	Equity attributable to owners of the parent		<u>23,503,537</u>	<u>23</u>	<u>21,806,876</u>	<u>23</u>	<u>21,080,924</u>	<u>21</u>
36XX	Non-controlling interest	6(23)	<u>704</u>	<u>-</u>	<u>712</u>	<u>-</u>	<u>650</u>	<u>-</u>
3XXX	Total equity		<u>23,504,241</u>	<u>23</u>	<u>21,807,588</u>	<u>23</u>	<u>21,081,574</u>	<u>21</u>
Commitments and contingent liabilities								
3X2X	Total liabilities and equity		<u>\$ 102,784,627</u>	<u>100</u>	<u>\$ 93,824,808</u>	<u>100</u>	<u>\$ 99,728,582</u>	<u>100</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2019		2018		2019		2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(24)	\$ 96,190,729	100	\$ 84,770,506	100	\$ 238,412,935	100	\$ 187,653,961	100
5000	Operating costs	6(5)	(93,213,619)	(97)	(81,674,262)	(96)	(230,426,514)	(96)	(179,709,562)	(96)
5900	Net operating margin		<u>2,977,110</u>	<u>3</u>	<u>3,096,244</u>	<u>4</u>	<u>7,986,421</u>	<u>4</u>	<u>7,944,399</u>	<u>4</u>
	Operating expenses	6(28)								
6100	Selling expenses		(1,060,629)	(1)	(1,029,704)	(1)	(3,071,893)	(1)	(2,935,292)	(2)
6200	General and administrative expenses		(244,201)	-	(244,211)	(1)	(714,959)	(1)	(709,267)	-
6300	Research and development expenses		(122,612)	-	(99,094)	-	(302,428)	-	(265,864)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(424)	-	(19,608)	-	(1,671)	-	(61,476)	-
6000	Total operating expenses		<u>(1,427,866)</u>	<u>(1)</u>	<u>(1,392,617)</u>	<u>(2)</u>	<u>(4,090,951)</u>	<u>(2)</u>	<u>(3,971,899)</u>	<u>(2)</u>
6900	Operating profit		<u>1,549,244</u>	<u>2</u>	<u>1,703,627</u>	<u>2</u>	<u>3,895,470</u>	<u>2</u>	<u>3,972,500</u>	<u>2</u>
	Non-operating income and expenses									
7010	Other income	6(25)	20,341	-	15,533	-	36,981	-	32,235	-
7020	Other gains and losses	6(26)	(25,905)	-	4,404	-	26,694	-	70,475	-
7050	Finance costs	6(27)	(485,290)	(1)	(431,223)	(1)	(1,498,972)	(1)	(1,160,825)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(29,213)	-	(36,800)	-	(79,750)	-	(59,583)	-
7000	Total non-operating income and expenses		<u>(520,067)</u>	<u>(1)</u>	<u>(448,086)</u>	<u>(1)</u>	<u>(1,515,047)</u>	<u>(1)</u>	<u>(1,117,698)</u>	<u>(1)</u>
7900	Profit before income tax		1,029,177	1	1,255,541	1	2,380,423	1	2,854,802	1
7950	Income tax expense	6(30)	(211,811)	-	(267,957)	-	(556,145)	-	(666,644)	-
8200	Profit for the period		<u>\$ 817,366</u>	<u>1</u>	<u>\$ 987,584</u>	<u>1</u>	<u>\$ 1,824,278</u>	<u>1</u>	<u>\$ 2,188,158</u>	<u>1</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30								
		2019		2018		2019		2018						
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%					
Other comprehensive income (loss)														
Components of other comprehensive income (loss) that will not be reclassified to profit or loss														
8316	Unrealised gain (loss) on valuation of equity investment instruments measured at fair value through other comprehensive income	6(22)												
			\$	137,826	-	\$	6,498	-	\$	220,507	-	(\$	243,524)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)		-	-	-	-	-	-	-	-	839	-	
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss			<u>137,826</u>	<u>-</u>	<u>6,498</u>	<u>-</u>	<u>220,507</u>	<u>-</u>	<u>(</u>	<u>242,685)</u>	<u>-</u>		
Components of other comprehensive income (loss) that will be reclassified to profit or loss														
8361	Financial statements translation differences of foreign operations	6(22)(23)	(158,685)	-	(831)	-	(1,925)	-	449,328	-	
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(6)	(93)	-	(2,456)	-	(1,447)	-	5,546)	-	
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(30)		-	-	(228)	-	(13,087)	-	(624)	-
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		(<u>158,778)</u>	<u>-</u>	(<u>3,515)</u>	<u>-</u>	(<u>16,459)</u>	<u>-</u>	<u>443,158</u>	<u>-</u>	
8300	Total other comprehensive income (loss) for the period		(<u>\$ 20,952)</u>	<u>-</u>	<u>\$ 2,983</u>	<u>-</u>	<u>\$ 204,048</u>	<u>-</u>	<u>\$ 200,473</u>	<u>-</u>			
8500	Total comprehensive income for the period		<u>\$</u>	<u>796,414</u>	<u>1</u>	<u>\$</u>	<u>990,567</u>	<u>1</u>	<u>\$</u>	<u>2,028,326</u>	<u>1</u>	<u>\$</u>	<u>2,388,631</u>	<u>1</u>
Profit attributable to:														
8610	Owners of the parent		\$	817,278	1	\$	987,498	1	\$	1,824,029	1	\$	2,187,934	1
8620	Non-controlling interest			88	-	86	-	249	-	224	-			
			<u>\$</u>	<u>817,366</u>	<u>1</u>	<u>\$</u>	<u>987,584</u>	<u>1</u>	<u>\$</u>	<u>1,824,278</u>	<u>1</u>	<u>\$</u>	<u>2,188,158</u>	<u>1</u>
Comprehensive income attributable to:														
8710	Owners of the parent		\$	796,328	1	\$	990,483	1	\$	2,028,077	1	\$	2,388,400	1
8720	Non-controlling interest			86	-	84	-	249	-	231	-			
			<u>\$</u>	<u>796,414</u>	<u>1</u>	<u>\$</u>	<u>990,567</u>	<u>1</u>	<u>\$</u>	<u>2,028,326</u>	<u>1</u>	<u>\$</u>	<u>2,388,631</u>	<u>1</u>
Earnings per share (in dollars)														
9750	Basic earnings per share	6(30)	\$	1.38		\$	1.79		\$	3.13		\$	3.96	
9850	Diluted earnings per share		\$	<u>1.32</u>		\$	<u>1.67</u>		\$	<u>3.03</u>		\$	<u>3.71</u>	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Equity attributable to owners of the parent													
	Share Capital			Retained Earnings				Other Equity Interest				Total	Non-controlling interest	Total equity
	Notes	Share capital - common stock	Certificates of bond-to-stock conversion	Capital surplus	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			
<u>2018</u>														
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		-	-	-	-	(75,668)	-	-	843,629	(865,950)	(97,989)	-	(97,989)	
Adjusted balance at January 1, 2018		<u>5,522,227</u>	<u>392</u>	<u>8,660,739</u>	<u>1,489,975</u>	<u>-</u>	<u>4,441,035</u>	<u>(975,052)</u>	<u>843,629</u>	<u>-</u>	<u>19,982,945</u>	<u>634</u>	<u>19,983,579</u>	
Consolidated net income		-	-	-	-	2,187,934	-	-	-	-	2,187,934	224	2,188,158	
Other comprehensive income (loss)	6(22)	-	-	-	-	839	443,155	(243,528)	-	-	200,466	7	200,473	
Total comprehensive income (loss)		-	-	-	-	2,188,773	443,155	(243,528)	-	-	2,388,400	231	2,388,631	
Appropriations of 2017 earnings:	6(21)													
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(19)(20)	3,464	25,806	61,732	-	-	-	-	-	91,002	-	-	91,002	
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	(215)	(215)	-	
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	253,901	-	(253,901)	-	-	-	-	-	
Balance at September 30, 2018		<u>\$ 5,525,691</u>	<u>\$26,198</u>	<u>\$ 8,722,471</u>	<u>\$ 1,741,965</u>	<u>\$ 109,102</u>	<u>\$ 5,141,194</u>	<u>(\$ 531,897)</u>	<u>\$ 346,200</u>	<u>\$ -</u>	<u>\$ 21,080,924</u>	<u>\$ 650</u>	<u>\$ 21,081,574</u>	
<u>2019</u>														
Balance at January 1, 2019		\$ 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	
Consolidated net income		-	-	-	-	1,824,029	-	-	-	-	1,824,029	249	1,824,278	
Other comprehensive income (loss)	6(22)	-	-	-	-	-	(16,459)	220,507	-	-	204,048	-	204,048	
Total comprehensive income (loss)		-	-	-	-	1,824,029	(16,459)	220,507	-	-	2,028,077	249	2,028,326	
Appropriations of 2018 earnings:	6(21)													
Legal reserve		-	-	-	277,823	(277,823)	-	-	-	-	-	-	-	
Special reserve		-	-	-	-	34,466	(34,466)	-	-	-	-	-	-	
Cash dividends		-	-	-	-	(1,387,967)	-	-	-	(1,387,967)	-	(1,387,967)	-	
Due to recognition of equity component of convertible bonds issued	6(16)(20)	-	-	37,762	-	-	-	-	-	37,762	-	-	37,762	
Conversion of convertible bonds	6(19)(20)	351,469	(24,217)	691,537	-	-	-	-	-	1,018,789	-	-	1,018,789	
Changes in non-controlling interest	6(23)	-	-	-	-	-	-	-	-	-	(257)	(257)	-	
Disposal of financial assets at fair value through other comprehensive income	6(22)	-	-	-	-	88,026	-	(88,026)	-	-	-	-	-	
Balance at September 30, 2019		<u>\$ 5,903,358</u>	<u>\$ -</u>	<u>\$ 9,502,681</u>	<u>\$ 2,019,788</u>	<u>\$ 143,568</u>	<u>\$ 5,961,688</u>	<u>(\$ 408,559)</u>	<u>\$ 381,013</u>	<u>\$ -</u>	<u>\$ 23,503,537</u>	<u>\$ 704</u>	<u>\$ 23,504,241</u>	

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,380,423	\$ 2,854,802
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(28)	214,219	59,022
Amortisation	6(28)	6,679	7,906
Impairment loss determined in accordance with IFRS 9	12(2)	1,671	61,476
Impairment loss	6(26)	27,718	-
Net income on financial liabilities at fair value through profit or loss	6(26)	(65,606)	(78,229)
Share of loss of associates and joint ventures accounted for using equity method	6(6)	79,750	59,583
Loss on disposal of property, plant and equipment, net	6(26)	165	392
Interest expense	6(27)	815,269	674,531
Interest income	6(25)	(15,528)	(6,567)
Dividend income	6(25)	(5,977)	(17,588)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(9,286,910)	(12,059,933)
Other receivables		114,173	(593,583)
Inventories		4,487,067	(8,873,955)
Prepayments		(107,567)	(94,787)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		61,287	70,280
Contract liabilities		48,160	45,085
Accounts payable		3,978,250	21,209,748
Other payables		(33,026)	194,536
Other current liabilities (included in refund liabilities)		(46,260)	(33,214)
Accrued pension liabilities		(14,772)	366
Cash inflow generated from operations		2,639,185	3,479,871
Interest received		15,528	6,567
Dividends received		5,977	17,588
Interest paid		(807,548)	(640,985)
Income taxes paid		(582,433)	(666,302)
Net cash flows from operating activities		<u>1,270,709</u>	<u>2,196,739</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 20,000)	(\$ 31,601)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	92,627	279,894
Decrease in other financial assets		36,349	244,121
Acquisition of property, plant and equipment	6(34)	(85,202)	(111,028)
Proceeds from disposal of property, plant and equipment		519	402
Acquisition of intangible assets	6(10)	(18,038)	(2,043)
Net cash payments for business combination	6(32)(34)	(15,396)	(72,409)
Decrease (increase) in other non-current assets		14,280	(9,299)
Acquisition of right-of-use assets		(18,088)	-
Net cash flows (used in) from investing activities		(12,949)	298,037
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(35)	4,199,884	(421,526)
(Decrease) increase in short-term notes and bills payable	6(35)	(1,138,191)	121,898
Payments of long-term loans	6(35)	(810,660)	(562,500)
Proceeds from issuing bonds	6(16)(35)	1,195,000	-
Repayments of bonds	6(16)(35)	(49,900)	-
Decrease in other non-current liabilities		(1,021)	(6,157)
Changes in non-controlling interest	6(23)	(257)	(215)
Payment of lease liabilities	6(35)	(117,475)	-
Cash dividends paid	6(21)	(1,387,967)	(1,381,423)
Net cash flows from (used in) financing activities		1,889,413	(2,249,923)
Effect of exchange rate changes		(61,481)	284,579
Net increase in cash and cash equivalents		3,085,692	529,432
Cash and cash equivalents at beginning of period		3,335,181	2,288,075
Cash and cash equivalents at end of period		<u>\$ 6,420,873</u>	<u>\$ 2,817,507</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

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 reported to the Board of Directors on November 11, 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 endorsed by the FSC effective from 2019 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

IFRS 16, 'Leases'

A. 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.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$950,016, increased ‘lease liability’ by \$682,856 and decreased long-term prepaid rents by \$267,160 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period is less than one year and will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$23,858 was recognised in the third quarter of 2019.
 - (d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 1.2% to 8.5%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 780,213
Less: Short-term leases	(26,540)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	753,673
Incremental borrowing interest rate at the date of initial application	<u>1.2%~8.5%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 682,856</u>

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments 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

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

(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:

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	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”, and the International Accounting Standards 34, “Interim financial reporting” as endorsed by the FSC.

(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.
- (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 International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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.

(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 on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Limited	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	WT Solomon QCE Ltd.	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co.,	Trading Company	100.00	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Co., Limited.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics India Private Limited	Trading Company	100.00	-	-	(b)
SinYie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	0.35	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	100.00	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100.00	100.00	100.00	
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100.00	100.00	100.00	
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100.00	100.00	100.00	
Best Winner International Development Ltd.	Maxtek International (HK) Limited.	Trading Company	100.00	100.00	100.00	

(a) The financial statements of certain consolidated insignificant subsidiaries for the nine-month periods ended September 30, 2019 and 2018 were not reviewed by independent accountants. The total assets of these unreviewed subsidiaries as of September 30, 2019 and 2018 were \$16,984,190 and \$16,421,927, constituting 17% and 16% of total consolidated assets, respectively, and the total liabilities were \$4,688,776 and \$6,174,911, constituting 6% and 8% of the consolidated total liabilities, respectively. The total comprehensive income was \$245,530, \$269,881, \$418,931 and \$624,284, constituting 31%, 27%, 21% and 26% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

(b) WT Microelectronics India Private Limited is the newly established subsidiary in August 2019.

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 New Taiwan 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'.

B. 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

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 categorised as financial liabilities 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

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) Leasing arrangements (lessor) - operating leases

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) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments

are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Prior to 2019

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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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.

(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.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs.

The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(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 acquiree 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) Critical accounting estimates and assumptions

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.

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. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 4,157	\$ 5,922	\$ 3,321
Checking accounts and demand deposits	6,400,716	3,329,259	2,814,186
Cash equivalents			
Time deposits	<u>16,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,420,873</u>	<u>\$ 3,335,181</u>	<u>\$ 2,817,507</u>

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 September 30, 2019, December 31, 2018 and September 30, 2018, the time deposits with maturity date over 3 months of \$23,613, \$39,459 and \$39,364, respectively, are recorded as 'other current assets'.

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

<u>Items</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Equity instruments	<u>\$ 434,004</u>	<u>\$ 24,350</u>	<u>\$ 50,373</u>
Non-current items:			
Equity instruments	<u>\$ 262,891</u>	<u>\$ 521,477</u>	<u>\$ 589,048</u>

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 \$92,628 and \$279,894 of listed shares at fair value which resulted in a cumulative gain of \$88,026 and \$253,901 on disposal during the nine-month periods ended September 30, 2019 and 2018, respectively.

C. Please refer to Note 6(22) for information on changes in fair value recognised in other comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018. Please refer to Note 6(25) for details of dividend income recognised in profit or loss of equity instruments at fair value through other comprehensive income held for the three-month and nine-month periods ended September 30, 2019 and 2018.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of September 30, 2019, December 31, 2018 and September 30, 2018.

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

(3) Notes and accounts receivable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable	\$ 1,636,523	\$ 1,898,859	\$ 2,646,858
Accounts receivable	44,121,958	34,665,485	44,732,147
Less: Allowance for sales returns and discounts	-	-	(521,407)
Allowance for uncollectible accounts	(320,091)	(437,008)	(437,009)
Notes and accounts receivable, net	<u>45,438,390</u>	<u>36,127,336</u>	<u>46,420,589</u>
Overdue receivables	962,751	845,997	841,790
Less: Allowance for uncollectible accounts	(962,751)	(845,997)	(841,790)
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 45,438,390</u>	<u>\$ 36,127,336</u>	<u>\$ 46,420,589</u>

A. As of September 30, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$33,513,690.

B. Transferred financial assets that are derecognised in their entirety

- (a) As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had outstanding discounted notes receivable amounting to \$1,224,050, \$914,373 and \$366,221, 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) 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:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable transferred			
(Amount derecognised)	\$ 43,040,358	\$ 45,740,462	\$ 42,602,379
Amount advanced	\$ 42,268,164	\$ 44,738,105	\$ 41,754,166
Amount retained	\$ 772,194	\$ 1,002,357	\$ 848,213

- i. 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.
- ii. As of September 30, 2019, December 31, 2018 and September 30, 2018, the interest rates for amounts advanced ranged between 1.2%~3.93%, 1.3270%~4.0698% and 1.362%~3.5518%, respectively.
- iii. As of September 30, 2019, December 31, 2018 and September 30, 2018, the total limits of the accounts receivable factoring agreement were \$82,568,244, \$78,873,368 and \$71,268,496, respectively.
- iv. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group has issued a promissory note of \$161,547,480, \$125,690,581 and \$97,885,100, respectively, as performance guarantee against any business dispute.
- v. Please refer to Note 6(27) for information on financing charges on accounts receivable factoring for the three-month and nine-month periods ended September 30, 2019 and 2018.
- 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.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the total limits of the accounts receivable factoring agreement with recourse were \$775,500, \$0 and \$427,350, respectively. The Group has no accounts receivable that are financed and amount advanced.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 75%~90% of the receivable amount can be covered when the receivables are uncollectible. As at September 30, 2019, December 31, 2018, and September 30, 2018, 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. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had accounts receivable that are expected to be factored classified as financial assets at fair value through other comprehensive income in the amounts of \$9,177,836, \$6,783,760 and \$13,546,618, respectively, and recorded as 'accounts receivable'.

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

(4) Other receivables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Amounts retained for factoring	\$ 772,194	\$ 1,002,357	\$ 848,213
VAT refund receivables	853,189	824,680	900,356
Others	<u>369,485</u>	<u>262,182</u>	<u>221,561</u>
	<u>\$ 1,994,868</u>	<u>\$ 2,089,219</u>	<u>\$ 1,970,130</u>

(5) Inventories

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Merchandise inventory	\$ 43,760,994	\$ 47,835,404	\$ 44,014,964
Less: Allowance for inventory obsolescence and market value decline	(<u>992,682</u>)	(<u>959,984</u>)	(<u>1,121,453</u>)
	<u>\$ 42,768,312</u>	<u>\$ 46,875,420</u>	<u>\$ 42,893,511</u>

The cost of inventories recognised as expense for the period:

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 93,204,208	\$ 81,665,535
Loss on disposal of inventory	1	-
Loss on decline in market value	<u>9,410</u>	<u>8,727</u>
	<u>\$ 93,213,619</u>	<u>\$ 81,674,262</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Cost of inventories sold	\$ 230,398,431	\$ 179,667,867
Loss on disposal of inventory	1	301
Loss on decline in market value	28,082	41,394
	<u>\$ 230,426,514</u>	<u>\$ 179,709,562</u>

(6) Investments accounted for using equity method

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
JCD Optical (Cayman) Co., Ltd.	\$ 69,472	\$ 86,146	\$ 88,823
Qwave Technology Co., Ltd.	36,126	40,305	41,606
Rainbow Star Group Limited	31,250	31,406	31,374
Joy Capital Ltd.	30,452	30,795	30,833
Supreme Mega Ltd.	-	57,694	96,924
	<u>\$ 167,300</u>	<u>\$ 246,346</u>	<u>\$ 289,560</u>

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:

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Loss for the period from continuing operations	(\$ 29,213)	(\$ 36,800)
Other comprehensive loss, net of tax	(93)	(2,456)
Total comprehensive loss	<u>(\$ 29,306)</u>	<u>(\$ 39,256)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Loss for the period from continuing operations	(\$ 79,750)	(\$ 59,583)
Other comprehensive loss, net of tax	(1,447)	(5,546)
Total comprehensive loss	<u>(\$ 81,197)</u>	<u>(\$ 65,129)</u>

The share of profit (loss) of associates and other comprehensive income recognised for the abovementioned investments accounted for using equity method were based on associates' financial statements of the same reporting period which were not reviewed by the independent accountants.

(7) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>					
Cost	\$ 225,459	\$ 634,212	\$ 360,629	\$ 296,940	\$ 1,517,240
Accumulated depreciation and impairment	<u>-</u>	<u>(98,392)</u>	<u>(218,235)</u>	<u>(205,319)</u>	<u>(521,946)</u>
	<u>\$ 225,459</u>	<u>\$ 535,820</u>	<u>\$ 142,394</u>	<u>\$ 91,621</u>	<u>\$ 995,294</u>
<u>2019</u>					
Opening net book amount	\$ 225,459	\$ 535,820	\$ 142,394	\$ 91,621	\$ 995,294
Additions	-	-	34,958	64,889	99,847
Disposals	-	-	(683)	(1)	(684)
Reclassifications	-	24,663	-	-	24,663
Depreciation charge	-	(10,864)	(41,502)	(32,965)	(85,331)
Net exchange differences	-	(10,773)	(1,693)	3,133	(9,333)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 538,846</u>	<u>\$ 133,474</u>	<u>\$ 126,677</u>	<u>\$ 1,024,456</u>
<u>At September 30, 2019</u>					
Cost	\$ 225,459	\$ 647,603	\$ 372,238	\$ 354,969	\$ 1,600,269
Accumulated depreciation and impairment	<u>-</u>	<u>(108,757)</u>	<u>(238,764)</u>	<u>(228,292)</u>	<u>(575,813)</u>
	<u>\$ 225,459</u>	<u>\$ 538,846</u>	<u>\$ 133,474</u>	<u>\$ 126,677</u>	<u>\$ 1,024,456</u>
	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>					
Cost	\$ 225,459	\$ 496,075	\$ 339,669	\$ 230,936	\$ 1,292,139
Accumulated depreciation and impairment	<u>-</u>	<u>(86,466)</u>	<u>(228,327)</u>	<u>(191,381)</u>	<u>(506,174)</u>
	<u>\$ 225,459</u>	<u>\$ 409,609</u>	<u>\$ 111,342</u>	<u>\$ 39,555</u>	<u>\$ 785,965</u>
<u>2018</u>					
Opening net book amount	\$ 225,459	\$ 409,609	\$ 111,342	\$ 39,555	\$ 785,965
Additions	-	-	40,779	58,533	99,312
Disposals	-	-	(517)	(277)	(794)
Reclassifications	-	-	-	148,399	148,399
Depreciation charge	-	(9,110)	(32,954)	(16,348)	(58,412)
Net exchange differences	-	(7,843)	(1,068)	(6,760)	(15,671)
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 392,656</u>	<u>\$ 117,582</u>	<u>\$ 223,102</u>	<u>\$ 958,799</u>
<u>At September 30, 2018</u>					
Cost	\$ 225,459	\$ 487,956	\$ 331,703	\$ 419,886	\$ 1,465,004
Accumulated depreciation and impairment	<u>-</u>	<u>(95,300)</u>	<u>(214,121)</u>	<u>(196,784)</u>	<u>(506,205)</u>
	<u>\$ 225,459</u>	<u>\$ 392,656</u>	<u>\$ 117,582</u>	<u>\$ 223,102</u>	<u>\$ 958,799</u>

- A. Office and other equipments at September 30, 2019 and 2018 were for the Group's own use not for lease.
- 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. As of September 30, 2018, the amounts of \$148,399 and \$77,577 were recorded as 'property, plant, equipment – buildings and structures' and 'other non-current assets-long-term prepaid rents', respectively.

(8) Leasing arrangements - lessee

Effective 2019

- A. The Group leases various assets including land, office and warehouse. Except for right-of-use of land for periods of 20 to 50 years, the rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2019</u>
	<u>Carrying amount</u>
Land	\$ 291,759
Buildings and structures	587,584
	<u>\$ 879,343</u>

	<u>Three-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 1,379	\$ 4,000
Buildings and structures	41,218	124,278
	<u>\$ 42,597</u>	<u>\$ 128,278</u>

- C. For the three-month and nine-month periods ended September 30, 2019, the additions to right-of-use assets were \$47,301 and \$75,792, respectively.
- D. The information on income or expense accounts relating to lease contracts is as follows:

	<u>Three-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,787	\$ 15,128
Expense on short-term lease contracts	24,006	73,380

E. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases was \$205,983.

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,996)	(16,893)
	<u>\$ 82,839</u>	<u>\$ 22,103</u>	<u>\$ 104,942</u>
<u>2019</u>			
Opening net book amount	\$ 82,839	\$ 22,103	\$ 104,942
Depreciation charge	-	(610)	(610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 21,493</u>	<u>\$ 104,332</u>
<u>At September 30, 2019</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(15,606)	(17,503)
	<u>\$ 82,839</u>	<u>\$ 21,493</u>	<u>\$ 104,332</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,182)	(16,079)
	<u>\$ 82,839</u>	<u>\$ 22,917</u>	<u>\$ 105,756</u>
<u>2018</u>			
Opening net book amount	\$ 82,839	\$ 22,917	\$ 105,756
Depreciation charge	-	(610)	(610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 22,307</u>	<u>\$ 105,146</u>
<u>At September 30, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	(1,897)	(14,792)	(16,689)
	<u>\$ 82,839</u>	<u>\$ 22,307</u>	<u>\$ 105,146</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from the lease of the investment property	<u>\$ 643</u>	<u>\$ 649</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 203</u>	<u>\$ 203</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Rental income from the lease of the investment property	<u>\$ 1,942</u>	<u>\$ 1,948</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 610</u>	<u>\$ 610</u>

B. The fair values of the investment property held by the Group as at September 30, 2019, December 31, 2018 and September 30, 2018 were \$133,780, \$130,104 and \$125,717, 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.

(10) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2019</u>			
Cost	\$ 2,038,130	\$ 78,901	\$ 2,117,031
Accumulated amortisation and impairment	(170,309)	(68,113)	(238,422)
	<u>\$ 1,867,821</u>	<u>\$ 10,788</u>	<u>\$ 1,878,609</u>
<u>2019</u>			
Opening net book amount	\$ 1,867,821	\$ 10,788	\$ 1,878,609
Additions	15,396	18,038	33,434
Amortisation charge (shown as 'general and administrative expenses')	-	(6,679)	(6,679)
Impairment loss	(3,811)	-	(3,811)
Net exchange differences	8,098	-	8,098
Closing net book amount	<u>\$ 1,887,504</u>	<u>\$ 22,147</u>	<u>\$ 1,909,651</u>
<u>At September 30, 2019</u>			
Cost	\$ 2,061,623	\$ 96,939	\$ 2,158,562
Accumulated amortisation and impairment	(174,119)	(74,792)	(248,911)
	<u>\$ 1,887,504</u>	<u>\$ 22,147</u>	<u>\$ 1,909,651</u>
	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 1,819,565	\$ 75,639	\$ 1,895,204
Accumulated amortisation and impairment	(170,309)	(61,213)	(231,522)
	<u>\$ 1,649,256</u>	<u>\$ 14,426</u>	<u>\$ 1,663,682</u>
<u>2018</u>			
Opening net book amount	\$ 1,649,256	\$ 14,426	\$ 1,663,682
Additions	22,439	2,043	24,482
Amortisation charge (shown as 'general and administrative expenses')	-	(5,079)	(5,079)
Net exchange differences	21,484	-	21,484
Closing net book amount	<u>\$ 1,693,179</u>	<u>\$ 11,390</u>	<u>\$ 1,704,569</u>
<u>At September 30, 2018</u>			
Cost	\$ 1,863,488	\$ 77,682	\$ 1,941,170
Accumulated amortisation and impairment	(170,309)	(66,292)	(236,601)
	<u>\$ 1,693,179</u>	<u>\$ 11,390</u>	<u>\$ 1,704,569</u>

The information on intangible assets acquired through business combinations for the nine-month periods ended September 30, 2019, and 2018 is provided in Note 6(32).

(11) Other non-current assets

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Refundable deposit	\$ 117,570	\$ 134,775	\$ 136,408
Net defined benefit asset	1,851	1,365	1,236
Prepayment for machinery	115	25,899	16,278
Long-term prepaid rents	-	267,160	254,014
Prepayment for property	-	53,393	-
Prepayment for business combination	-	-	49,970
Others	<u>27,437</u>	<u>52,005</u>	<u>52,016</u>
	<u>\$ 146,973</u>	<u>\$ 534,597</u>	<u>\$ 509,922</u>

The abovementioned long-term prepaid rents comprise land use right contracts signed by the Group for the use of the land in China with a term of 20 to 50 years. The Group recognised rental expense of \$924 and \$2,827 for the three-month and nine-month periods ended September 30, 2019 and recorded it as 'long-term prepaid rents-amortisation expense'. The long-term prepaid rents were transferred to right-of-use assets on January 1, 2019 in accordance with IFRS 16.

(12) Short-term borrowings

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Credit loans	\$ 30,271,741	\$ 25,997,237	\$ 22,200,987
Secured borrowings	<u>-</u>	<u>115,526</u>	<u>924,497</u>
	<u>\$ 30,271,741</u>	<u>\$ 26,112,763</u>	<u>\$ 23,125,484</u>
Interest rates per annum	<u>0.9%~4.1325%</u>	<u>0.9114%~4.7894%</u>	<u>0.9073%~5.22%</u>

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

(13) Short-term notes and bills payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Commercial paper	\$ 700,000	\$ 1,830,000	\$ 1,630,000
Amortisation of discount	(<u>754</u>)	(<u>1,487</u>)	(<u>933</u>)
	<u>\$ 699,246</u>	<u>\$ 1,828,513</u>	<u>\$ 1,629,067</u>
Coupon rate	<u>0.61%~0.89%</u>	<u>0.57%~0.89%</u>	<u>0.53%~0.84%</u>

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.

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

<u>Assets</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Current items:			
Derivatives	\$ 5,102	\$ -	\$ 1,155
<u>Liabilities</u>			
Current items:			
Derivatives	\$ 4,780	\$ 3,994	\$ 1,002

A. The Group recognised net gain of \$54,658, \$6,316, \$65,606 and \$76,109 (shown as ‘other gains and losses’) on financial liabilities at fair value through profit or loss for the three-month and nine-month periods ended September 30, 2019, and 2018, respectively.

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

	<u>September 30, 2019</u>		
<u>Derivative financial assets</u>	<u>Contract amount (Notional principal) (In thousands)</u>		<u>Contract period</u>
Current items:			
Forward foreign exchange contracts	USD (BUY)	29,000	2019.08.16~2019.12.24
<u>Derivative financial liabilities</u>			
Current items:			
Forward foreign exchange contracts	USD (BUY)	23,000	2019.08.14~2019.11.27
	<u>December 31, 2018</u>		
<u>Derivative financial liabilities</u>	<u>Contract amount (Notional principal) (In thousands)</u>		<u>Contract period</u>
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
	<u>September 30, 2018</u>		
<u>Derivative financial assets</u>	<u>Contract amount (Notional principal) (In thousands)</u>		<u>Contract period</u>
Current items:			
Forward foreign exchange contracts	USD (BUY)	10,000	2018.08.29~2018.12.21
Cross currency swap contracts	USD (BUY)	2,998	2018.09.20~2018.12.21
<u>Derivative financial liabilities</u>			
Forward foreign exchange contracts	USD (BUY)	6,000	2018.09.20~2018.11.30

(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.

(15) Other payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Salaries and bonuses payable	\$ 741,425	\$ 819,302	\$ 702,580
Accrued VAT payable	351,175	220,901	378,095
Finance cost payable	144,862	176,467	132,874
Others	455,469	506,192	459,242
	<u>\$ 1,692,931</u>	<u>\$ 1,722,862</u>	<u>\$ 1,672,791</u>

(16) Bonds payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Bonds payable	\$ 1,200,000	\$ 1,074,200	\$ 1,150,000
Less: Discount on bonds payable	(39,257)	(7,452)	(11,946)
	1,160,743	1,066,748	1,138,054
Less: Bonds payable, current portion	-	(1,066,748)	(1,138,054)
	<u>\$ 1,160,743</u>	<u>\$ -</u>	<u>\$ -</u>

A. Sixth unsecured convertible bonds of 2019

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

- i. The Company issued \$1,200,000, 0%, sixth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 1, 2019 ~July 1, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 1, 2019.
- 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 three months 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 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On September 30, 2019, the conversion price was NT\$37.6 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 resold or re-issued; the convertible rights attached to the bonds are also extinguished.
- (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$37,762 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of September 30, 2019, in accordance with IAS 32.
 - (c) As of September 30, 2019, no convertible bonds were converted into common shares.
- B. Fifth unsecured convertible bonds of 2016
- (a) The terms of the fifth 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 July 7, 2019, 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 resold or re-issued; the convertible rights attached to the bonds are also extinguished.
 - (b) Regarding the issuance of convertible bonds, the equity conversion options amounting to \$0 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of September 30, 2019, in accordance with IAS 32.
 - (c) As of September 30, 2019, the convertible bonds converted into 45,316 thousand common shares totaled \$1,450,100 at par value.
 - (d) The abovementioned bonds matured on July 7, 2019. The Company repaid \$49,900 for the unconverted bonds in accordance with the contract, and transferred \$1,875 from ‘capital surplus-share options’ to ‘capital surplus-share premium’.
- C. For the three-month and nine-month periods ended September 30, 2019 and 2018, the amortised

discount of bonds payable was \$3,505, \$4,098, \$5,446 and \$12,528, respectively.

(17) Long-term loans

		September 30, 2019	
Type of loans	Period	Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 62,500
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>124,080</u>	<u>124,080</u>
		<u>\$ 1,624,080</u>	186,580
Less: Long-term borrowings, current portion			(<u>186,580</u>)
			<u>\$ -</u>
Range of interest rates			<u>1.05%~3.7526%</u>

		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	<u>368,580</u>	<u>368,580</u>
		<u>\$ 1,868,580</u>	993,580
Less: Long-term borrowings, current portion			(<u>870,720</u>)
			<u>\$ 122,860</u>
Range of interest rates			<u>1.05%~3.7526%</u>

		September 30, 2018	
Type of loans	Period	Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 812,500
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	<u>366,300</u>	<u>366,300</u>
		<u>\$ 1,866,300</u>	1,178,800
Less: Long-term borrowing, current portion			(<u>994,200</u>)
			<u>\$ 184,600</u>
Range of interest rates			<u>1.06%~2.589%</u>

A. 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.

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

(18) 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) For the aforementioned pension plan, the Group recognised pension costs of \$6,483, \$508, \$7,438 and \$1,575 for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to \$4,286.

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 three-month and nine-month periods ended September 30, 2019 and 2018 were \$42,012, \$45,902, \$146,429 and \$132,636, respectively.

(19) Share capital

A. As of September 30, 2019, the Company's authorised capital was \$10,000,000, consisting of 1 billion shares of ordinary stock (including 90 million shares reserved for employee stock options), and the paid-in capital was \$5,903,358, 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:

	<u>2019</u>	<u>2018</u>
	<u>Shares (in thousands)</u>	<u>Shares (in thousands)</u>
At January 1	557,611	552,262
Shares converted from bonds	<u>32,725</u>	<u>2,927</u>
At September 30	<u>590,336</u>	<u>555,189</u>

(20) Capital surplus

A. For the information relating to capital surplus-share options, please refer to Note 6(16).

	<u>2019</u>				
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Stock options</u>	<u>Net change in equity of associates</u>	<u>Total</u>
At January 1	\$8,684,119	\$ 40,742	\$ 40,362	\$ 8,159	\$8,773,382
Issuance of convertible bonds	-	-	37,762	-	37,762
Expiration of convertible bonds	1,875	-	(1,875)	-	-
Conversion of convertible bonds	<u>730,024</u>	<u>-</u>	<u>(38,487)</u>	<u>-</u>	<u>691,537</u>
At September 30	<u>\$9,416,018</u>	<u>\$ 40,742</u>	<u>\$ 37,762</u>	<u>\$ 8,159</u>	<u>\$9,502,681</u>
	<u>2018</u>				
	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Stock options</u>	<u>Net change in equity of associates</u>	<u>Total</u>
At January 1	\$8,565,163	\$ 40,742	\$ 46,675	\$ 8,159	\$8,660,739
Conversion of convertible bonds	<u>65,196</u>	<u>-</u>	<u>(3,464)</u>	<u>-</u>	<u>61,732</u>
At September 30	<u>\$8,630,359</u>	<u>\$ 40,742</u>	<u>\$ 43,211</u>	<u>\$ 8,159</u>	<u>\$8,722,471</u>

B. 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.

(21) 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 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 2019 and 2018, the distribution information of the Company's 2018 and 2017 earnings is as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 277,823		\$ 251,990	
Special reserve	34,466		109,102	
Cash dividends	<u>1,387,967</u>	\$ 2.36	<u>1,381,423</u>	\$ 2.5
	<u>\$ 1,700,256</u>		<u>\$ 1,742,515</u>	

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(29).

(22) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2019	\$ 248,532	(\$ 392,100)	(\$ 143,568)
Valuation adjustment on equity instruments	220,507	-	220,507
Disposals reclassified as retained earnings	(88,026)	-	(88,026)
Currency translation differences:			
– Group	-	(15,012)	(15,012)
– Associates	-	(1,447)	(1,447)
At September 30, 2019	<u>\$ 381,013</u>	<u>(\$ 408,559)</u>	<u>(\$ 27,546)</u>

	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)
Revaluation	(243,528)	-	(243,528)
Valuation losses on equity instruments	(253,901)	-	(253,901)
Currency translation differences:			
– Group	-	448,701	448,701
– Associates	-	(5,546)	(5,546)
At September 30, 2018	<u>\$ 346,200</u>	<u>(\$ 531,897)</u>	<u>(\$ 185,697)</u>

(23) Non-controlling interests

	2019	2018
At January 1	\$ 712	\$ 634
Share attributable to non-controlling interest:		
Profit for the period	249	224
Exchange differences on translation of foreign financial statements	-	3
Unrealised financial assets at fair value through other comprehensive income	-	4
Decrease in non-controlling interests	(257)	(215)
At September 30	<u>\$ 704</u>	<u>\$ 650</u>

(24) Operating revenue

	<u>Three-month periods ended September 30,</u>	
	2019	2018
Contract revenue		
Sale of electronic components	\$ 96,145,391	\$ 84,737,203
Other operating revenue	45,338	33,303
	<u>\$ 96,190,729</u>	<u>\$ 84,770,506</u>

	<u>Nine-month periods ended September 30,</u>	
	2019	2018
Contract revenue		
Sale of electronic components	\$ 238,288,471	\$ 187,550,489
Other operating revenue	124,464	103,472
	<u>\$ 238,412,935</u>	<u>\$ 187,653,961</u>

A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time in the following major product lines:

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Analog IC	\$ 44,969,775	\$ 36,701,690
IC Memory	6,229,682	5,820,000
Application-Specific IC	7,626,501	7,648,822
Discrete Devices	4,331,279	4,342,199
Chipset	4,376,681	4,331,231
Microprocessor	3,712,527	3,004,651
Logic IC	1,324,765	1,007,882
Others	23,619,519	21,914,031
	<u>\$ 96,190,729</u>	<u>\$ 84,770,506</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Analog IC	\$ 101,417,971	\$ 76,014,811
IC Memory	17,483,938	16,814,530
Application-Specific IC	19,358,826	15,253,772
Discrete Devices	10,320,148	12,513,488
Chipset	11,638,951	11,127,230
Microprocessor	10,360,527	8,800,019
Logic IC	3,510,699	2,516,785
Others	64,321,875	44,613,326
	<u>\$ 238,412,935</u>	<u>\$ 187,653,961</u>

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Refund liabilities-sales discounts and returns	<u>\$ 831,047</u>	<u>\$ 879,111</u>	<u>\$ 1,543,882</u>
Contract liabilities-advance sales receipts	<u>\$ 179,047</u>	<u>\$ 118,246</u>	<u>\$ 152,703</u>

(25) Other income

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 3,867	\$ 1,289
Rent revenue	643	649
Dividend income	5,977	11,856
Other income	<u>9,854</u>	<u>1,739</u>
	<u>\$ 20,341</u>	<u>\$ 15,533</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 15,528	\$ 6,567
Rent revenue	1,942	1,948
Dividend income	5,977	17,588
Other income	<u>13,534</u>	<u>6,132</u>
	<u>\$ 36,981</u>	<u>\$ 32,235</u>

(26) Other gains and losses

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Foreign exchange (loss) gain, net	(\$ 51,457)	\$ 1,057
Gain on financial assets and liabilities at fair value through profit or loss - derivatives	54,658	6,316
Impairment loss	(27,718)	-
Gain (loss) on disposal of property, plant and equipment	129	(305)
Other losses	(1,517)	(2,664)
	<u>(\$ 25,905)</u>	<u>\$ 4,404</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Foreign exchange loss	(\$ 5,194)	(\$ 1,431)
Gain on financial assets and liabilities at fair value through profit or loss - derivatives	65,606	76,109
Gain on financial assets at fair value through profit or loss – equity instruments	-	2,120
Impairment loss	(27,718)	-
Loss on disposal of property, plant and equipment	(165)	(392)
Other losses	(5,835)	(5,931)
	<u>\$ 26,694</u>	<u>\$ 70,475</u>

(27) Finance costs

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 247,452	\$ 243,334
Others	10,199	7,102
Financing charges on accounts receivable factoring	220,577	174,014
Other finance costs	7,062	6,773
	<u>\$ 485,290</u>	<u>\$ 431,223</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Interest expense:		
Bank borrowings	\$ 785,771	\$ 653,851
Others	29,498	20,680
Financing charges on accounts receivable factoring	661,619	464,084
Other finance costs	22,084	22,210
	<u>\$ 1,498,972</u>	<u>\$ 1,160,825</u>

(28) Expenses by nature

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 867,872	\$ 818,680
Depreciation	72,969	21,962
Amortisation	2,669	2,579
Total (shown as 'Operating expenses')	<u>\$ 943,510</u>	<u>\$ 843,221</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense	\$ 2,555,156	\$ 2,388,994
Depreciation	214,219	59,022
Amortisation	6,679	7,906
Total (shown as 'Operating expenses')	<u>\$ 2,776,054</u>	<u>\$ 2,455,922</u>

(29) Employee benefit expense

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense		
Wages and salaries	\$ 708,650	\$ 666,149
Labour and health insurance fees	26,347	24,934
Pension costs	48,495	46,410
Other personnel expenses	84,380	81,187
Total (shown as ‘Operating expenses’)	<u>\$ 867,872</u>	<u>\$ 818,680</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Employee benefit expense		
Wages and salaries	\$ 2,080,084	\$ 1,973,023
Labour and health insurance fees	84,221	76,438
Pension costs	153,867	134,211
Other personnel expenses	236,984	205,322
Total (shown as ‘Operating expenses’)	<u>\$ 2,555,156</u>	<u>\$ 2,388,994</u>

- A. In accordance with the Articles of Incorporation of the Company as approved by the stockholders on June 21, 2019, 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’ remuneration.
- B. For the three-month and nine-month periods ended September 30, 2019 and 2018, employees’ compensation was accrued at \$9,200, \$11,040, \$22,900 and \$25,150, respectively; while directors’ and supervisors’ remuneration was accrued at \$3,000, \$3,000, \$9,000 and \$9,000, 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 nine-month periods ended September 30, 2019 and 2018.

Employees’ compensation and directors’ and supervisors’ remuneration for 2018 as resolved by the directors during its meeting were in agreement with those amounts recognised in profit or loss for 2018.

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.

(30) Income tax

A. Income tax expense

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profit for the period	\$ 291,822	\$ 314,908
Prior year income tax underestimation	<u>1,195</u>	<u>169</u>
Total current tax	<u>293,017</u>	<u>315,077</u>
Deferred tax:		
Origination and reversal of temporary differences	(82,174)	(47,509)
Effect of exchange rate	<u>968</u>	<u>389</u>
Total deferred tax	<u>(81,206)</u>	<u>(47,120)</u>
Income tax expense	<u>\$ 211,811</u>	<u>\$ 267,957</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Current tax:		
Current tax on profit for the period	\$ 523,469	\$ 612,608
Tax on undistributed surplus earnings	63,772	77,023
Prior year income tax overestimation	<u>(246)</u>	<u>(569)</u>
Total current tax	<u>586,995</u>	<u>689,062</u>
Deferred tax:		
Origination and reversal of temporary differences	(31,370)	4,730
Impact of change in tax rate	-	(26,372)
Effect of exchange rate	<u>520</u>	<u>(776)</u>
Total deferred tax	<u>(30,850)</u>	<u>(22,418)</u>
Income tax expense	<u>\$ 556,145</u>	<u>\$ 666,644</u>

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

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences	<u>\$ -</u>	<u>(\$ 228)</u>

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences	(\$ 13,087)	(\$ 624)
Impact of change in tax rate	-	839
	<u>(\$ 13,087)</u>	<u>\$ 215</u>

C. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

D. 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% and the additional applicable income tax rate imposed on unappropriated earnings was reduced from 10% to 5% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(31) Earnings per share

	<u>Three-month period ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 817,278	590,336	\$ 1.38
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	817,278	590,336	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	3,505	32,019	
Employees' compensation	-	237	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 820,783</u>	<u>622,592</u>	<u>\$ 1.32</u>

<u>Three-month period ended September 30, 2018</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 987,498	553,168	\$ 1.79
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	987,498	553,168	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	4,098	38,791	
Employees' compensation	-	259	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 991,596</u>	<u>592,218</u>	<u>\$ 1.67</u>
<u>Nine-month period ended September 30, 2019</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 1,824,029	583,514	\$ 3.13
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	1,824,029	583,514	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	5,446	18,663	
Employees' compensation	-	825	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,829,475</u>	<u>603,002</u>	<u>\$ 3.03</u>

	Nine-month period ended September 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 2,187,934	552,739	\$ 3.96
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,187,934	552,739	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	12,528	39,202	
Employees' compensation	-	640	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,200,462	592,581	\$ 3.71

(32) Business combination

The following business combinations occurred during the nine-month periods ended September 30, 2019 and 2018:

A. The Company acquired part of the electronic component distribution business of Green Chips Co, Ltd.:

(a) In December 2018, the Group signed a business transfer agreement with Green Chips Co, Ltd., acquiring part of the company's electronic component distribution business amounted to \$15,396. The record date of the transfer was July 1, 2019.

(b) Green Chips Co, Ltd. is a distributor of electronic components with the greater China region as its primary market.

(c) As of September 30, 2019, actual payment of \$15,396 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.

(d) Information on the acquisition of the distribution business is as follows:

Purchase consideration - cash	\$ 15,396
Less: Fair value of the identifiable net assets	-
Goodwill	<u>\$ 15,396</u>

As of September 30, 2019, 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.

B. The subsidiary, Morrihan International Corp., acquired 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 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 September 30, 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) Information on the acquisition of the distribution business is as follows:

Purchase consideration - cash	\$	22,439
Less: Fair value of the identifiable net assets		<u>-</u>
Goodwill	\$	<u>22,439</u>

(33) Operating leases

Prior to 2019

The Group leases office and warehouse under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years. The Group recognised rental expenses of \$282,327, \$72,603 and \$205,670 for the year ended December 31, 2018 and for the three-month and nine-month periods ended September 30, 2018, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Not later than one year	\$ 195,184	\$ 180,333
Later than one year but not later than five years	430,026	444,650
Later than five years	<u>155,003</u>	<u>167,102</u>
	<u>\$ 780,213</u>	<u>\$ 792,085</u>

(34) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 99,847	\$ 99,312
Add: Opening balance of payable on equipment	13,396	10,216
Ending balance of prepayments for business facilities	115	16,278
Less: Ending balance of payable on equipment	(2,248)	(3,532)
Opening balance of prepayments for business facilities	(25,899)	(11,247)
Effect of foreign exchange	(9)	1
Cash paid during the period	<u>\$ 85,202</u>	<u>\$ 111,028</u>

B. Cash paid for business combinations:

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of intangible assets	\$ 15,396	\$ 22,439
Add: Ending balance of prepayments	-	49,970
Cash paid during the period	<u>\$ 15,396</u>	<u>\$ 72,409</u>

(35) Changes in liabilities from financing activities

	<u>Short-term</u> <u>borrowings</u> <u>(Note 1)</u>	<u>Short-term</u> <u>notes and</u> <u>bills payable</u>	<u>Bonds</u> <u>payable</u>	<u>Lease</u> <u>liability</u>	<u>Liabilities</u> <u>from</u> <u>financing</u> <u>activities-gross</u>
At January 1, 2019	\$ 27,106,343	\$ 1,828,513	\$ 1,066,748	\$ -	\$ 30,001,604
Changes in cash flow from financing activities	3,389,224	(1,138,191)	1,145,100	(117,475)	3,278,658
Impact of changes in foreign exchange rate	(37,246)	-	-	(9,531)	(46,777)
Interest expense from amortisation	-	8,924	5,446	-	14,370
Conversion of convertible bonds	-	-	(1,018,789)	-	(1,018,789)
Issuance of convertible bonds	-	-	(37,762)	-	(37,762)
IFRS 16 conversion recognition	-	-	-	682,856	682,856
Increase in lease liability for the period	-	-	-	38,353	38,353
At September 30, 2019	<u>\$ 30,458,321</u>	<u>\$ 699,246</u>	<u>\$ 1,160,743</u>	<u>\$ 594,203</u>	<u>\$ 32,912,513</u>

	Short-term borrowings (Note 1)	Short-term notes and bills payable	Bonds payable (Note 2)	Lease liability	Liabilities from financing activities-gross
At January 1, 2018	\$ 25,345,092	\$ 1,499,017	\$ 1,216,527	\$ -	\$ 28,060,636
Changes in cash flow from financing activities	(984,026)	121,898	-	-	(862,128)
Impact of changes in foreign exchange rate	(56,782)	-	-	-	(56,782)
Interest expense from amortisation	-	8,152	12,528	-	20,680
Conversion of convertible bonds	-	-	(91,001)	-	(91,001)
At September 30, 2018	<u>\$ 24,304,284</u>	<u>\$ 1,629,067</u>	<u>\$ 1,138,054</u>	<u>\$ -</u>	<u>\$ 27,071,405</u>

Note 1: Including long-term liabilities - current portion

Note 2: Shown as '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

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 18,255	\$ 11,295
Post-employment benefits	<u>67</u>	<u>72</u>
	<u>\$ 18,322</u>	<u>\$ 11,367</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 45,765	\$ 50,094
Post-employment benefits	<u>202</u>	<u>644</u>
	<u>\$ 45,967</u>	<u>\$ 50,738</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Purpose</u>	<u>Book value</u>		
		<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Other current assets:				
Bank deposits	Bank loan	\$ -	\$ 36,244	\$ 175,213
	Guarantee for customs duties	26,125	10,756	10,644
	Bid bond	<u>3,009</u>	<u>2,979</u>	<u>2,961</u>
		<u>\$ 29,134</u>	<u>\$ 49,979</u>	<u>\$ 188,818</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Outstanding letters of credit

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Outstanding letters of credit	<u>\$ 5,956,478</u>	<u>\$ 4,876,723</u>	<u>\$ 5,119,148</u>

B. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Customs duties guarantee	<u>\$ 35,000</u>	<u>\$ 86,022</u>	<u>\$ 84,576</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On October 7, 2019, the main supplier, Texas Instruments, notified the Company that they plan to terminate the authorised agency agreement effective December 31, 2020. The business transactions between both parties will remain unchanged in accordance with the original agency agreement before the termination. For the nine-month period ended September 30, 2019, the amount of aforementioned event constituted 19% of the Company's total purchases.

B. The Company proposed to issue 20 thousand units of employee stock options as approved by the Board of Directors on October 17, 2019. Each unit allows employees to purchase 1 thousand common shares of the Company. Consequently, the Company has to issue common shares totalling 20 million due to the stock options exercised. As of November 11, 2019, the common shares have not yet been issued.

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 2019 and 2018, the Group's strategy was to maintain the financial debt ratio below 250%.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss (Note 1)	\$ 5,102	\$ -	\$ 1,155
Financial assets at fair value through other comprehensive income (Note 2)	9,874,731	7,329,587	14,186,039
Financial assets at amortised cost (Note 3)	<u>44,729,042</u>	<u>34,857,414</u>	<u>37,889,790</u>
	<u>\$ 54,608,875</u>	<u>\$ 42,187,001</u>	<u>\$ 52,076,984</u>
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss (Note 4)	\$ 4,780	\$ 3,994	\$ 1,002
Financial liabilities at amortised cost (Note 5)	<u>76,397,858</u>	<u>69,736,721</u>	<u>75,818,039</u>
	<u>\$ 76,402,638</u>	<u>\$ 69,740,715</u>	<u>\$ 75,819,041</u>
Lease liability	<u>\$ 594,203</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Mandatorily measured at fair value through profit or loss.

Note 2: Including notes receivable and accounts receivable that are expected to be factored (net) and equity instrument.

Note 3: Including cash and cash equivalents, notes receivable and accounts receivable that are not expected to be factored (net), other receivables, guarantee deposits paid and other current assets.

Note 4: Held for trading.

Note 5: Including short-term borrowings, short-term notes and bills payable, accounts payable, other payables, long-term liabilities - current portion, bonds payable, long-term borrowings and guarantee deposits received.

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(14).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- 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(14).
- 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:

September 30, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,676,359	31.02	\$ 52,000,656	1%	\$ 520,007
USD:RMB	3,683	7.124	114,247	1%	1,142
USD:KRW	15,072	1,199.1	467,533	1%	4,675
<u>Non-monetary items</u>					
USD:NTD	14,991	31.02	465,024		
<u>Foreign operations</u>					
USD:NTD	360,057	31.02	11,158,283		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,828,099	31.02	56,707,631	1%	567,076
USD:RMB	43,466	7.124	1,348,315	1%	13,483
USD:KRW	36,157	1,199.1	1,121,590	1%	11,216

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 1,164,613	30.715	\$ 35,771,088	1%	\$ 357,711
USD:RMB	1,482	6.854	45,520	1%	455
USD:KRW	17,482	1,121.4	536,960	1%	5,370
<u>Non-monetary items</u>					
USD:NTD	10,888	30.715	334,412		
<u>Foreign operations</u>					
USD:NTD	350,189	30.715	10,745,345		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,178,851	30.715	36,208,408	1%	362,084
USD:RMB	25,113	6.854	771,346	1%	7,713
USD:KRW	25,053	1,121.4	769,503	1%	7,695

September 30, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,629,743	30.525	\$ 49,747,905	1%	\$ 497,479
USD:RMB	2,193	6.8830	66,941	1%	669
USD:KRW	20,041	1,112.8	611,752	1%	6,118
<u>Non-monetary items</u>					
USD:NTD	12,707	30.525	387,883		
<u>Foreign operations</u>					
USD:NTD	347,289	30.525	10,590,569		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,532,569	30.525	46,781,669	1%	467,817
USD:RMB	30,239	6.8830	923,045	1%	9,230
USD:KRW	26,159	1,112.8	798,503	1%	7,985

- 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 three-month and nine-month periods ended September 30, 2019 and 2018, amounted to (\$51,457), \$1,057, (\$5,194) and (\$1,431), 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. 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 nine-month periods ended September 30, 2019 and 2018, other components of equity would have increased/decreased by \$6,969 and \$6,394, respectively, as a result of other comprehensive income classified as 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 nine-month periods ended September 30, 2019 and 2018, 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 nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by \$62,114 and \$47,844, 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		
	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Not past due	\$ 39,039,493	\$ 30,510,181	\$ 40,460,343
Up to 90 days	6,273,090	5,596,250	5,863,801
91 to 180 days	135,359	130,296	274,305
Over 180 days	1,273,290	1,173,614	1,100,939
	<u>\$ 46,721,232</u>	<u>\$ 37,410,341</u>	<u>\$ 47,699,388</u>

- (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 September 30, 2019, December 31, 2018 and September 30, 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:

<u>September 30, 2019</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	96.79%	0.03%	0.05%~24.71%	2.60%~30.77%	
Total book value	<u>\$ 1,213,640</u>	<u>\$ 25,137,824</u>	<u>\$ 18,781,135</u>	<u>\$ 1,588,633</u>	<u>\$ 46,721,232</u>
Loss allowance	<u>\$ 1,174,643</u>	<u>\$ 7,542</u>	<u>\$ 29,866</u>	<u>\$ 70,791</u>	<u>\$ 1,282,842</u>
<u>December 31, 2018</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	90.86%	0.05%	0.03%~17.48%	4.44%~41.41%	
Total book value	<u>\$ 1,241,425</u>	<u>\$ 20,121,594</u>	<u>\$ 14,504,225</u>	<u>\$ 1,543,097</u>	<u>\$ 37,410,341</u>
Loss allowance	<u>\$ 1,127,919</u>	<u>\$ 10,061</u>	<u>\$ 29,506</u>	<u>\$ 115,519</u>	<u>\$ 1,283,005</u>
<u>September 30, 2018</u>	<u>Individual</u>	<u>Group A & B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	90.02%	0.05%	0.02%~13.73%	5.33%~15.26%	
Total book value	<u>\$ 1,257,618</u>	<u>\$ 26,062,548</u>	<u>\$ 18,879,271</u>	<u>\$ 1,499,951</u>	<u>\$ 47,699,388</u>
Loss allowance	<u>\$ 1,132,097</u>	<u>\$ 13,032</u>	<u>\$ 13,055</u>	<u>\$ 120,615</u>	<u>\$ 1,278,799</u>

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:

	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
At January 1	\$ 1,283,005	\$ 1,101,896
Adjustments under new standards	-	97,989
Provision for impairment	1,671	61,476
Effect of exchange rate changes	(1,834)	17,438
At September 30	<u>\$ 1,282,842</u>	<u>\$ 1,278,799</u>

(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(17)) 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:

September 30, 2019

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Lease liability	\$ 158,616	\$ 380,108	\$ 111,620	\$ 650,344
Bonds payable	-	1,200,000	-	1,200,000
	<u>\$ 158,616</u>	<u>\$ 1,580,108</u>	<u>\$ 111,620</u>	<u>\$ 1,850,344</u>

December 31, 2018

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Long-term borrowings	<u>\$ 870,720</u>	<u>\$ 122,860</u>	<u>\$ -</u>	<u>\$ 993,580</u>

September 30, 2018

	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Bonds payable	\$ 1,150,000	\$ -	\$ -	\$ 1,150,000
Long-term borrowings	<u>994,200</u>	<u>184,600</u>	<u>-</u>	<u>1,178,800</u>
	<u>\$ 2,144,200</u>	<u>\$ 184,600</u>	<u>\$ -</u>	<u>\$ 2,328,800</u>

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

Derivative financial liabilities

As of September 30, 2019, December 31, 2018 and September 30, 2018, 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(9).

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:

September 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instrument	\$ -	\$ 5,102	\$ -	\$ 5,102
Financial assets at fair value through other comprehensive income				
Equity securities	639,912	-	56,983	696,895
Accounts receivable that are expected to be factored	-	9,177,836	-	9,177,836
	<u>\$ 639,912</u>	<u>\$ 9,182,938</u>	<u>\$ 56,983</u>	<u>\$ 9,879,833</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 4,780</u>	<u>\$ -</u>	<u>\$ 4,780</u>

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 505,969	\$ -	\$ 39,858	\$ 545,827
Accounts receivable that are expected to be factored	-	6,783,760	-	6,783,760
	<u>\$ 505,969</u>	<u>\$ 6,783,760</u>	<u>\$ 39,858</u>	<u>\$ 7,329,587</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 3,994</u>	<u>\$ -</u>	<u>\$ 3,994</u>

September 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instrument	\$ -	\$ 1,155	\$ -	\$ 1,155
Financial assets at fair value through other comprehensive income				
Equity securities	599,753	-	39,668	639,421
Accounts receivable that are expected to be factored	-	13,546,618	-	13,546,618
	<u>\$ 599,753</u>	<u>\$13,547,773</u>	<u>\$ 39,668</u>	<u>\$14,187,194</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ -</u>	<u>\$ 1,002</u>

(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:

Market quoted price	<u>Listed shares</u>
	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 nine-month periods ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2019 and 2018:

	Equity securities	
	2019	2018
At January 1	\$ 39,858	\$ -
Adjustment on transfer of IFRS 9	-	9,143
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(3,167)	-
Acquired in the period	20,000	29,105
Sold in the period	(14)	-
Effect of exchange rate changes	306	1,420
At September 30	<u>\$ 56,983</u>	<u>\$ 39,668</u>

For the nine-month periods ended September 30, 2019 and 2018, 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:

	<u>Fair value at September 30, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:		Latest transaction price without active market			
Unlisted shares	\$ 56,983		N/A	N/A	N/A
	<u>Fair value at December 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:		Latest transaction price without active market			
Unlisted shares	\$ 39,858		N/A	N/A	N/A
	<u>Fair value at September 30, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:		Latest transaction price without active market			
Unlisted shares	\$ 39,668		N/A	N/A	N/A

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(14).
- 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 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	
	Three-month periods ended September 30,	
	2019	2018
Revenue from external customers	\$ 90,481,234	\$ 80,272,714
Segment income	\$ 1,011,884	\$ 1,226,293
Segment assets (Note)	\$ -	\$ -

	Greater China Region	
	Nine-month periods ended September 30,	
	2019	2018
Revenue from external customers	\$ 223,372,310	\$ 173,189,499
Segment income	\$ 2,342,150	\$ 2,758,333
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:

	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Operating revenue</u>		
Total reported segment revenue	\$ 90,481,234	\$ 80,272,714
Other operating segment revenue	<u>5,709,495</u>	<u>4,497,792</u>
Total operating revenue	<u>\$ 96,190,729</u>	<u>\$ 84,770,506</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Operating revenue</u>		
Total reported segment revenue	\$ 223,372,310	\$ 173,189,499
Other operating segment revenue	<u>15,040,625</u>	<u>14,464,462</u>
Total operating revenue	<u>\$ 238,412,935</u>	<u>\$ 187,653,961</u>
	<u>Three-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Profit and loss</u>		
Income of reported segment	\$ 1,011,884	\$ 1,226,293
Income of other operating segments	<u>17,293</u>	<u>29,248</u>
Income before income tax from continuing operations	<u>\$ 1,029,177</u>	<u>\$ 1,255,541</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>Profit and loss</u>		
Income of reported segment	\$ 2,342,150	\$ 2,758,333
Income of other operating segments	<u>38,273</u>	<u>96,469</u>
Income before income tax from continuing operations	<u>\$ 2,380,423</u>	<u>\$ 2,854,802</u>

WT Microelectronics Co., Ltd. and subsidiaries
Loans to others
Nine-month period ended September 30, 2019

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 nine-month period ended September 30, 2019	Balance at September 30, 2019	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		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	WT MICROELECTRONICS LTD.	CO., WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables - related parties	Y	\$ 920,620	\$ 870,840	\$ -	1.20%	2	\$ -	Business Operation	\$ -	-	\$ -	\$ 2,350,354	\$ 9,401,415	Note 3
0	WT MICROELECTRONICS LTD.	CO., MAXTEK TECHNOLOGY CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	2	-	Business Operation	-	-	-	2,350,354	9,401,415	Note 3
0	WT MICROELECTRONICS LTD.	CO., HONGTECH ELECTRONICS CO., LTD.	Other receivables - related parties	Y	350,000	-	-	1.80%	2	-	Business Operation	-	-	-	2,350,354	9,401,415	Note 3
0	WT MICROELECTRONICS LTD.	CO., LACEWOOD INTERNATIONAL CORP.	Other receivables - related parties	Y	316,000	-	-	1.80%	2	-	Business Operation	-	-	-	2,350,354	9,401,415	Note 3
1	WT TECHNOLOGY (H.K.) LIMITED	WT MICROELECTRONICS (HONG KONG) LIMITED	Other receivables - related parties	Y	63,200	62,040	62,040	3.00%	2	-	Business Operation	-	-	-	109,307	109,307	Note 2
2	WINTech MICROELECTRONICS HOLDING LIMITED	BRILLNICS (HK) LIMITED	Other receivables - related parties	Y	158,000	155,100	155,100	2.60%	2	-	Business Operation	-	-	-	2,784,900	3,713,200	Note 4
2	WINTech MICROELECTRONICS HOLDING LIMITED	WINTech MICROELECTRONICS LTD.	Other receivables - related parties	Y	1,011,200	620,400	577,903	3.00%	2	-	Business Operation	-	-	-	9,282,999	9,282,999	Note 2
3	BSI SEMICONDUCTOR PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	304,483	300,894	300,894	2.55% ~2.788%	2	-	Business Operation	-	-	-	513,352	513,352	Note 2
4	MSD HOLDING PTE. LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables - related parties	Y	88,480	86,856	86,856	2.60%	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
Nine-month period ended September 30, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding	Outstanding	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarante e 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
					endorsement / guarantee amount as of September 30, 2019	endorsement / guarantee amount at September 30, 2019								
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 18,802,830	\$ 350,000	\$ 350,000	\$ 350,000	-	1.49%	\$ 18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	18,802,830	262,000	62,000	29,406	-	0.26%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	18,802,830	158,000	155,100	34,773	-	0.66%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	18,802,830	632,000	620,400	-	-	2.64%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	18,802,830	2,212,000	2,171,400	1,240,800	-	9.24%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	18,802,830	66,360	65,142	40,007	-	0.28%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	18,802,830	1,580	1,551	233	-	0.01%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	18,802,830	316,000	310,200	-	-	1.32%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	18,802,830	252,800	248,160	-	-	1.06%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	18,802,830	3,744,599	3,702,916	1,786,153	-	15.75%	18,802,830	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	18,802,830	1,591,254	1,531,794	391,878	-	6.52%	18,802,830	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	18,802,830	189,600	186,120	149,062	-	0.79%	18,802,830	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	18,802,830	1,422,000	1,395,900	1,395,900	-	5.94%	18,802,830	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,046,207	10,000	2,000	2,000	-	0.15%	1,046,207	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,895,119	14,000	14,000	14,000	-	0.39%	2,895,119	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	876,582	82,478	26,125	26,125	26,125	2.38%	876,582	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,230,069	313,800	-	-	-	0.00%	1,230,069	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,230,069	214,800	155,100	-	-	10.09%	1,230,069	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,230,069	9,500	9,500	9,500	-	0.62%	1,230,069	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)
Nine-month period ended September 30, 2019

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 September 30, 2019				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
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	-	0.14	-	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	-	0.73	-	
WT MICROELECTRONICS CO., LTD.	Limited Partnership	FORYOU VENTURE CAPITAL LIMITED PARTNERSHIP	None	2	-	20,000	9.62	20,000	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	21,525	0.42	21,525	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1	222,664	434,004	0.67	434,004	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION	None	2	2,702,703	31,020	0.79	31,020	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO., LTD.	None	2	5,637,500	44,428	2.31	44,428	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPower INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	111,430	1.82	111,430	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPower INTEGRATED TECHNOLOGY INC.	None	2	759,652	28,525	0.47	28,525	

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
Nine-month period ended September 30, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 58,168,845	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	\$ 12,639,168	35	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	15,275,665	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	2,263,347	6	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	6,455,017	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	719,351	2	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	5,723,221	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	181,334	1	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	5,337,791	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	1,978,296	5	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	3,790,891	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	642,399	2	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	Affiliates	Sales	2,554,161	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	816,836	2	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	466,627	-	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	414,665	-	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	13,121	-	
WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	216,327	-	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.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	4,083,377	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	1,922,666	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	(479,739)	1	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	646,712	-	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	(273,648)	-	
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Purchases	436,280	-	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	(423,710)	1	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	\$ 1,541,036	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	\$ 230,118	12	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	1,363,014	14	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	496,671	26	
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	802,902	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	264,613	14	
NUVISION TECHNOLOGY INC.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	100,583	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	79,620	4	
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	4,028,278	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	1,816,388	22	
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	1,619,680	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	776,946	9	
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	173,675	-	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	70,542	1	
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	141,321	-	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	68,908	1	
TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	377,056	7	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	125,430	11	
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	140,614	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	52,475	5	
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	565,471	7	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.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	175,806	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	67,330	4	
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	729,438	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	43,825	9	
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	104,450	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	-	-	
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	4,472,264	73	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	1,140,581	88	
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	1,694,937	27	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	150,941	12	

WT Microelectronics Co., Ltd. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 12,639,168	8.07	\$ 34,339	Subsequent collection	\$ 10,223,695	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	2,263,347	12.97	-		2,155,262	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	1,978,296	5.13	-		560,351	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	816,836	5.56	626,236	Subsequent collection	320,462	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	719,351	23.93	-		694,105	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	642,399	6.56	-		501,021	-
WT MICROELECTRONICS CO., LTD.	WINTech MICROELECTRONICS LTD.	Affiliates	181,334	84.16	-		181,334	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	496,671	5.96	-		195,561	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	479,739	7.19	-		8,099	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	264,613	3.50	-		140,441	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	230,118	7.10	-		230,118	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,816,388	3.23	-		1,184,351	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	776,946	5.01	-		660,179	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	273,648	5.05	2,556	Subsequent collection	8,416	-
TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	Affiliates	125,430	7.80	-		473	-
MAXTEK TECHNOLOGY CO., LTD.	WT MICROELECTRONICS CO., LTD.	Affiliates	423,710	2.74	-		22,015	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	1,140,581	6.20	-		598,289	-
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	150,941	29.60	-		150,941	-

Note: For information on 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
Nine-month period ended September 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	\$ 58,168,845	(Note 3)	24
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	12,639,168	(Note 3)	12
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Sales	15,275,665	(Note 3)	6
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Accounts receivable	2,263,347	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	6,455,017	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Accounts receivable	719,351	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	5,723,221	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Accounts receivable	181,334	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	5,337,791	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	1,978,296	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	3,790,891	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	642,399	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Sales	2,554,161	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Accounts receivable	816,836	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	466,627	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	414,665	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	1	Sales	216,327	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	4,083,377	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	1,922,666	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	479,739	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	646,712	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Accounts payable	273,648	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Purchases	436,280	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	Accounts payable	423,710	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	1,541,036	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	230,118	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	1,363,014	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Accounts receivable	496,671	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	802,902	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	264,613	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	100,583	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	4,028,278	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,816,388	(Note 3)	2
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	1,619,680	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Accounts receivable	776,946	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	173,675	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	141,321	(Note 3)	-

WT Microelectronics Co., Ltd. and subsidiaries
Significant inter-company transactions during the reporting period
Nine-month period ended September 30, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)		Transaction terms	Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount		
3	TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	3	Sales	\$ 377,056	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	MORRIHAN INTERNATIONAL CORP.	3	Accounts receivable	125,430	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	140,614	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	565,471	(Note 3)	-
4	MAXTEK TECHNOLOGY CO., LTD.	MORRIHAN INTERNATIONAL CORP.	3	Sales	175,806	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	729,438	(Note 3)	-
6	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	WT SOLOMON QCE LIMITED	3	Sales	104,450	(Note 3)	-
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	4,472,264	(Note 3)	2
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	1,140,581	(Note 3)	1
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	1,694,937	(Note 3)	1
7	WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Accounts receivable	150,941	(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)

Nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance at September 30, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 9,236,117	\$ 223,829	\$ 223,829	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	1,877,003	102,111	102,111	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,618,867	346,067	346,067	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	750,121	7,445	7,445	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	781,218	276,036	275,788	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service	41,856	41,856	500,000	100.00	10,389	962	962	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	60,821	1,171	1,171	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,819	-	-	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	227,253	2,453	2,453	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	1,783,888	212,363	212,363	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,933,554	1,933,554	62,332,506	100.00	3,492,500	260,318	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	652,070	652,070	21,020,957	100.00	1,107,073	107,508	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	93,063	93,063	3,000,100	100.00	75,163	(9,796)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	155	155	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance at September 30, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 155,100	\$ 155,100	5,000,000	100.00	\$ 2,206,091	\$ 124	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	73,638	73,638	5,869,093	23.07	69,472	(63,269)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	568,038	568,038	14,917,000	47.98	-	(177,716)	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	37,224	37,224	1,200,000	17.65	30,452	(2,448)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	31,020	31,020	18,924	24.65	31,250	(1,897)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONK KONG) LIMITED	Hong Kong	Sale of electronic components	388,607	388,607	12,527,632	100.00	1,853,013	73,107	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,647	9,647	311,000	100.00	35,951	177	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	712,667	712,667	22,974,430	100.00	710,374	(4,518)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,956	3,956	1,000,000	100.00	111,787	1,396	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	817,095	817,095	110,000,000	100.00	781,361	190,172	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,675	33,675	1,500,000	100.00	275,746	34,234	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,704	3,704	500,000	100.00	3,754	(27)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	564,778	564,778	3,800,000	95.47	826,752	76,934	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance at September 30, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	\$ 3,036	\$ 3,036	300,000	100.00	\$ 3,915	(\$ 47)	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS INDIA PRIVATE LIMITED	India	Sale of electronic components	3,129	-	700,000	100.00	\$ 3,139	10	Note 1	Subsidiary
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	69,042	69,042	407,469	0.35	46,882	223,829	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	9,983	(17)	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	45,453	448	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	53,805	53,805	180,472	4.53	28,926	76,934	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	24,329	24,329	53,505	100.00	175,640	1,349	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	210,451	210,451	9,500,000	100.00	238,067	23,049	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	18,052	364	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	258,302	59,843	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	575,269	1,845	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	19,954	69,840	6,000	100.00	21,069	(91)	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	36,126	(9,694)	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,736	23,736	6,000,000	100.00	18,477	(167)	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
Nine-month period ended September 30, 2019

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee for the nine- month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 2)	Book value of investment in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 9,306	2	\$ 9,306	\$ -	\$ -	\$ 9,306	\$ 188	100.00	\$ 188	\$ 35,869	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	704,168	2	652,048	-	-	652,048	(4,518)	100.00	(4,518)	710,265	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,090,353	2	594,033	-	-	594,033	(46,672)	100.00	(46,672)	1,019,685	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	41,257	3	31,020	-	-	31,020	448	100.00	448	45,453	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	127,182	2	20,598	-	-	20,598	(54,379)	23.07	(12,545)	46,350	-	Note 8
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	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.	\$ 1,307,005	\$ 2,045,277		\$ 14,102,545									

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 reviewed 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.