

**Powertech Technology Inc. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2018 and 2017 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

POWERTECH TECHNOLOGY INC.

By:

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TSAI DUH-KUNG  
Chairman

March 14, 2019

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Powertech Technology Inc.

### Opinion

We have audited the accompanying consolidated financial statements of Powertech Technology Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2018, are described as follows:

#### Contract assets and revenue recognition

1. The sales revenue of the Group is material to the Group. Refer to Note 27 to the accompanying consolidated financial statements for details of sales revenue. The major type of revenue is subcontracting revenue. The types of subcontracting transactions are as follows:
  - 1) Wafer level testing;
  - 2) Wafer level packaging;

- 3) IC packaging; and
  - 4) IC testing.
2. Packaging services: Since the customers have ownership of the assets, assume significant risks and rewards of ownership of the assets, have the right to determine the disposal of the assets and can prevent the Group from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.
  3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15., as the Group conducts testing services, the customers obtain and consume the benefits provided by the Group's testing services at the same time. Therefore, revenue should also be recognized over time.
  4. The Group recognizes the contract assets and revenue of packaging and testing services at the end of each month based on the completion schedule. Since the above-mentioned process includes estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.
  5. We reviewed the Group's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, and confirmed against relevant supporting documents and accounts records to verify the accuracy of the monetary amounts of contract assets and revenue recognition.

#### Capitalization of property, plant and equipment

1. The capital expenditure of the Group relating to property, plant and equipment is significant to its consolidated financial statements. Refer to Note 18 of the accompanying consolidated financial statements for details on property, plant and equipment.
2. To ensure the accuracy of the cost amounts, the requisition, purchasing, verification and record-keeping of the Group's property, plant and equipment are all subject to appropriate sign-off procedures. According to the list of newly acquired, un-capitalized items and unit acceptance forms, the Group's accounting department will record the items that should be capitalized into the computer system of fixed assets every month. The Group will regularly examine items that were not capitalized for more than three months after their purchase date and request the department utilizing the items to provide an explanation as to why the items which should already have been capitalized have not yet been capitalized.
3. Because of the significance of such capital expenditure amounts, delays in capitalization or errors in cost amounts thereof may lead to misstatement of the consolidated financial statements
4. We reviewed the Group's property, plant and equipment capital expenditure policy, assessed the reasonableness of the timing of capitalization, and conducted the following procedures:
  - 1) We selected samples of newly acquired items from the record of property, plant and equipment to verify whether the costs are recognized in the appropriate period.
  - 2) We selected samples from the list of advance payments and construction in progress at the end of the year and performed an on-site inventory count to observe whether such items were not yet ready for their intended use.
  - 3) We selected samples of items that were not capitalized for more than three months after their purchase date from the list of advance payments and construction in progress to examine whether the reasons of such items remaining un-capitalized had been explained by applicants or users and were approved by supervisors.

## **Other Matter**

We have also audited the parent company only financial statements of Powertech Technology Inc. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Feng Huang and Su-Li Fang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2019

#### Notice to Readers

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

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

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2018 AND 2017**

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017		LIABILITIES AND EQUITY	2018		2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 18,544,142	18	\$ 17,716,582	18	Short-term bank loans (Notes 21 and 35)	\$ 843,953	1	\$ 3,842,349	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	56,217	-	58,961	-	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	2,223	-	5,887	-
Held-to-maturity financial assets - current (Notes 4 and 11)	-	-	200,102	-	Contract liabilities - current (Note 26)	39,323	-	-	-
Financial assets at amortized cost - current (Notes 4, 5, 9 and 35)	548,917	-	-	-	Notes and accounts payable	4,969,810	5	4,995,647	5
Contract assets - current (Notes 26 and 34)	1,671,214	2	-	-	Accrued employees' compensation and remuneration of directors and supervisors (Note 27)	959,978	1	968,624	1
Notes and accounts receivable (Notes 4, 5 and 13)	8,966,825	9	8,382,978	9	Payables to equipment suppliers	2,443,343	2	3,183,304	3
Receivables from related parties (Notes 4, 5, 13 and 34)	2,879,308	3	4,029,506	4	Other payables to related parties (Note 34)	569	-	-	-
Other receivables (Note 4)	309,115	-	247,935	-	Current income tax liabilities (Notes 4 and 28)	1,603,899	2	1,000,059	1
Other receivables from related parties (Notes 4 and 34)	16,081	-	9,186	-	Accrued expenses and other current liabilities (Notes 4, 23 and 34)	7,224,942	7	7,525,184	8
Inventories (Notes 4, 5 and 14)	3,822,960	4	4,078,030	4	Current portion of long-term debts (Notes 21 and 35)	361,637	-	134,793	-
Prepaid expenses	261,915	-	260,191	-	Finance lease payables - current (Notes 4 and 22)	130,994	-	132,841	-
Non-current assets held for sale (Notes 4 and 15)	-	-	1,056,479	1					
Other current assets (Notes 4, 20 and 35)	812,848	1	1,037,446	1	<b>Total current liabilities</b>	<b>18,580,671</b>	<b>18</b>	<b>21,788,688</b>	<b>22</b>
<b>Total current assets</b>	<b>37,889,542</b>	<b>37</b>	<b>37,077,396</b>	<b>37</b>	<b>NON-CURRENT LIABILITIES</b>				
<b>NON-CURRENT ASSETS</b>					Long-term debts (Notes 21 and 35)	30,872,339	30	27,017,588	27
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	26,803	-	-	-	Deferred income tax liabilities (Notes 4 and 28)	115,906	-	203,163	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	32,670	-	Finance lease payables - non-current (Notes 4 and 22)	163,439	-	173,398	-
Held-to-maturity financial assets - non-current (Notes 4 and 11)	-	-	953,203	1	Net defined benefit liabilities - non-current (Notes 4, 5 and 24)	404,530	1	396,495	1
Financial assets at amortized cost - non-current (Notes 4, 5, 9 and 35)	2,041,110	2	-	-	Other non-current liabilities (Note 23)	381,249	-	395,667	-
Debt investments with no active market - non-current (Notes 4, 12 and 35)	-	-	1,314,913	2	<b>Total non-current liabilities</b>	<b>31,937,463</b>	<b>31</b>	<b>28,186,311</b>	<b>28</b>
Property, plant and equipment (Notes 4, 5, 18, 34 and 35)	61,980,853	60	58,663,021	59	<b>Total liabilities</b>	<b>50,518,134</b>	<b>49</b>	<b>49,974,999</b>	<b>50</b>
Intangible assets (Notes 4, 5 and 19)	1,162,204	1	1,249,649	1	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION (Notes 4 and 25)</b>				
Deferred income tax assets (Notes 4 and 28)	357,829	-	172,963	-	Capital share				
Other non-current assets (Note 4, 5, 20 and 24)	137,160	-	194,613	-	Common share	7,791,466	7	7,791,466	8
<b>Total non-current assets</b>	<b>65,705,959</b>	<b>63</b>	<b>62,581,032</b>	<b>63</b>	Capital surplus	127,734	-	119,593	-
					Retained earnings				
					Legal reserve	6,422,456	6	5,837,530	6
					Special reserve	337,628	-	-	-
					Unappropriated earnings	26,601,327	26	24,717,948	24
					<b>Total retained earnings</b>	<b>33,361,411</b>	<b>32</b>	<b>30,555,478</b>	<b>30</b>
					Other equity	(195,070)	-	(337,628)	-
					Treasury share	(82,315)	-	(68,099)	-
					<b>Total equity attributable to shareholders of the Corporation</b>	<b>41,003,226</b>	<b>39</b>	<b>38,060,810</b>	<b>38</b>
					<b>NON-CONTROLLING INTERESTS (Notes 16 and 25)</b>	<b>12,074,141</b>	<b>12</b>	<b>11,622,619</b>	<b>12</b>
					<b>Total equity</b>	<b>53,077,367</b>	<b>51</b>	<b>49,683,429</b>	<b>50</b>
<b>TOTAL</b>	<b>\$ 103,595,501</b>	<b>100</b>	<b>\$ 99,658,428</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 103,595,501</b>	<b>100</b>	<b>\$ 99,658,428</b>	<b>100</b>

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

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET SALES (Notes 4, 26 and 34)	\$ 68,039,379	100	\$ 59,632,083	100
OPERATING COSTS (Notes 4, 14, 27 and 34)	<u>54,209,337</u>	<u>80</u>	<u>46,933,571</u>	<u>79</u>
GROSS PROFIT	<u>13,830,042</u>	<u>20</u>	<u>12,698,512</u>	<u>21</u>
OPERATING EXPENSES (Notes 27 and 34)				
Marketing	380,531	-	330,218	-
General and administrative	1,801,639	3	1,571,055	3
Research and development	<u>1,864,218</u>	<u>3</u>	<u>1,723,215</u>	<u>3</u>
Total operating expenses	<u>4,046,388</u>	<u>6</u>	<u>3,624,488</u>	<u>6</u>
OPERATING INCOME	<u>9,783,654</u>	<u>14</u>	<u>9,074,024</u>	<u>15</u>
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 4, 27 and 34)	(417,992)	-	174,187	-
Share of profit of associates (Notes 4 and 17)	-	-	108,792	-
Other income (Notes 4, 27 and 34)	204,861	-	223,676	1
Finance costs (Notes 4 and 27)	(350,525)	-	(236,260)	-
Foreign exchange gain (loss), net (Notes 4 and 27)	<u>215,339</u>	<u>-</u>	<u>(457,141)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>(348,317)</u>	<u>-</u>	<u>(186,746)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	9,435,337	14	8,887,278	15
INCOME TAX EXPENSE (Notes 4 and 28)	<u>1,922,775</u>	<u>3</u>	<u>1,596,003</u>	<u>3</u>
NET INCOME	<u>7,512,562</u>	<u>11</u>	<u>7,291,275</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 25)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 24)	(20,445)	-	(40,336)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(32,193)	-	-	-
Items reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	239,529	-	(394,715)	(1)
Unrealized loss on available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>(62,698)</u>	<u>-</u>
Total other comprehensive income (loss)	<u>186,891</u>	<u>-</u>	<u>(497,749)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 7,699,453</u>	<u>11</u>	<u>\$ 6,793,526</u>	<u>11</u>

(Continued)



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	\$ 6,234,276	9	\$ 5,849,262	10
Non-controlling interests	<u>1,278,286</u>	<u>2</u>	<u>1,442,013</u>	<u>2</u>
	<u>\$ 7,512,562</u>	<u>11</u>	<u>\$ 7,291,275</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	\$ 6,369,021	9	\$ 5,428,005	9
Non-controlling interests	<u>1,330,432</u>	<u>2</u>	<u>1,365,521</u>	<u>2</u>
	<u>\$ 7,699,453</u>	<u>11</u>	<u>\$ 6,793,526</u>	<u>11</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 8.02</u>		<u>\$ 7.51</u>	
Diluted	<u>\$ 7.95</u>		<u>\$ 7.46</u>	

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

(Concluded)

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholder of the Corporation											Noncontrolling Interests	Total Equity
	Capital Share Issued and Outstanding		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Share	Total		
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Unrealized (Loss) Gain on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2017	779,147	\$ 7,791,466	\$ 678,047	\$ 5,354,070	\$ -	\$ 21,937,776	\$ 9,562	\$ -	\$ 44,038	\$ -	\$ 35,814,959	\$ 8,505,461	\$ 44,320,420
Appropriation of 2016 earnings													
Legal reserve	-	-	-	483,460	-	(483,460)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(2,555,601)	-	-	-	-	(2,555,601)	-	(2,555,601)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(893,149)	(893,149)
Donations from shareholders	-	-	52	-	-	-	-	-	-	-	52	70	122
Distribution of cash dividends from capital surplus	-	-	(560,986)	-	-	-	-	-	-	-	(560,986)	-	(560,986)
Net income for the year ended December 31, 2017	-	-	-	-	-	5,849,262	-	-	-	-	5,849,262	1,442,013	7,291,275
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	(30,029)	(328,712)	-	(62,516)	-	(421,257)	(76,492)	(497,749)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	5,819,233	(328,712)	-	(62,516)	-	5,428,005	1,365,521	6,793,526
The Corporation's share held by its subsidiary treated as treasury share	-	-	-	-	-	-	-	-	-	(68,099)	(68,099)	(90,621)	(158,720)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	2,480	-	-	-	-	-	-	-	2,480	-	2,480
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	2,735,337	2,735,337
BALANCE, DECEMBER 31, 2017	779,147	7,791,466	119,593	5,837,530	-	24,717,948	(319,150)	-	(18,478)	(68,099)	38,060,810	11,622,619	49,683,429
Effect of retrospective application and retrospective restatement	-	-	-	-	-	85,630	-	(18,478)	18,478	-	85,630	53,713	139,343
BALANCE, JANUARY 1, 2018 AS RESTATED	779,147	7,791,466	119,593	5,837,530	-	24,803,578	(319,150)	(18,478)	-	(68,099)	38,146,440	11,676,332	49,822,772
Appropriation of 2017 earnings													
Legal reserve	-	-	-	584,926	-	(584,926)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	337,628	(337,628)	-	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(3,506,160)	-	-	-	-	(3,506,160)	-	(3,506,160)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,037,884)	(1,037,884)
Donations from shareholders	-	-	41	-	-	-	-	-	-	-	41	55	96
Distribution of cash dividends from capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	6,234,276	-	-	-	-	6,234,276	1,278,286	7,512,562
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(7,813)	148,425	(5,867)	-	-	134,745	52,146	186,891
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	6,226,463	148,425	(5,867)	-	-	6,369,021	1,330,432	7,699,453
The Corporation's share held by its subsidiary treated as treasury share	-	-	-	-	-	-	-	-	-	(14,216)	(14,216)	(18,915)	(33,131)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	8,100	-	-	-	-	-	-	-	8,100	-	8,100
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	124,121	124,121
BALANCE, DECEMBER 31, 2018	779,147	\$ 7,791,466	\$ 127,734	\$ 6,422,456	\$ 337,628	\$ 26,601,327	\$ (170,725)	\$ (24,345)	\$ -	\$ (82,315)	\$ 41,003,226	\$ 12,074,141	\$ 53,077,367

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

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,435,337	\$ 8,887,278
Adjustments for:		
Depreciation	12,512,745	10,493,833
Amortization	144,040	98,252
Impairment loss recognized on trade receivables	-	18,155
Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss	2,744	(5,295)
Finance costs	350,525	236,260
Premium amortization of held-to-maturity financial assets	-	2,267
Premium amortization of financial assets at amortized cost	1,770	-
Interest revenue	(84,749)	(62,491)
Dividend income	-	(263)
Share of profit of associates	-	(108,792)
Net loss on disposal of property, plant and equipment	719,969	244,155
Property, plant and equipment transfer to expenses	1,202	-
Net loss on disposal of intangible assets	20,024	-
Gain on disposal of available-for-sale financial assets	-	(144,590)
Impairment loss on non-financial assets	437,609	145,938
(Gain) loss on foreign currency exchange, net	(196,902)	306,874
Gain from bargain purchase	-	(140,000)
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	9,043
Decrease in contract assets	11,857	-
(Increase) decrease in notes and accounts receivable	(596,797)	568,027
Decrease (increase) in accounts receivable from related parties	1,144,186	(446,228)
(Increase) decrease in other receivables	(56,493)	180,489
Decrease in other receivables from related parties	11,258	85,323
Increase in inventories	(1,253,822)	(563,595)
Increase in prepayments	(1,724)	(73,500)
Increase in other current assets	(91,469)	(324,136)
Decrease in financial liabilities held for trading	(3,664)	(65,682)
Decrease in contract liabilities	(4,419)	-
(Decrease) increase in accounts payable	(19,760)	478,242
Increase in accounts payable to related parties	2,617	-
(Decrease) increase in accrued employees' compensation and remuneration of directors and supervisors	(8,646)	214,355
Increase (decrease) in other payables to related parties	569	(4,437)
Increase in accrued expenses and other current liabilities	377,577	108,472
Increase (decrease) in net defined benefit liabilities	222	(8,484)
Decrease in other payables	(652,299)	(441,193)
Cash generated from operations	22,203,507	19,688,277
Interest received	79,177	62,395
Interest paid	(449,692)	(314,140)
Income tax paid	(1,625,894)	(1,759,092)
Net cash generated from operating activities	<u>20,207,098</u>	<u>17,677,440</u>

(Continued)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	\$ (395,971)	\$ -
Proceeds from sale of financial assets at amortized cost	644,627	-
Purchase of debt investments with no active market	-	(768,061)
Proceeds from sale of debt investments with no active market	-	31,670
Purchase of held-to-maturity financial assets	-	(500,003)
Proceeds from sale of held-to-maturity financial assets	-	250,000
Net cash inflow on acquisition of subsidiaries (Note 30)	-	1,174,598
Proceeds from disposal of non-current assets held for sale	1,024,362	-
Acquisition of property, plant and equipment	(17,689,500)	(19,634,721)
Disposal of property, plant and equipment	202,000	288,392
Increase in refundable deposits	-	(4,219)
Decrease in refundable deposits	18,025	-
Increase in intangible assets	(33,090)	(46,676)
Decrease in prepayments for equipment	35,311	278,185
Decrease in other prepayments	2,613	7,827
Dividend received from associates	-	82,354
Other dividends received	-	263
	<u>(16,191,623)</u>	<u>(18,840,391)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term bank loans	(2,998,396)	2,258,794
Proceeds from long-term debts	25,832,486	27,697,455
Repayments of long-term debts	(21,764,125)	(22,206,011)
Increase in guarantee deposits	3,611	-
Decrease in guarantee deposits	-	(26,134)
Decrease in finance lease payables	(11,806)	(109,541)
Dividends paid to shareholders of the Corporation	(3,498,060)	(3,114,107)
Payments for buy-back of treasury share	(33,131)	(158,720)
Dividends paid to non-controlling interests	(1,037,884)	(893,149)
Donations from shareholders	96	122
Increase in non-controlling interests	124,121	-
	<u>(3,383,088)</u>	<u>3,448,709</u>
Net cash (used in) generated from financing activities		
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>195,173</u>	<u>(404,397)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	827,560	1,881,361
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	\$ <u>17,716,582</u>	\$ <u>15,835,221</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ <u>18,544,142</u>	\$ <u>17,716,582</u>

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

(Concluded)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Powertech Technology Corporation (the “Corporation”) was incorporated in the Republic of China (“ROC”) on May 15, 1997 and commenced business on September 3, 1997. The Corporation is mainly engaged in the manufacturing, packaging, testing, researching and developing, designing, assembling and sale of various integrated circuit products. The Corporation also provides semiconductor testing and assembly services on a turnkey basis, in which the Corporation buys fabricated wafers and sells tested and assembled semiconductors. The Corporation’s registered office and principal place of business is in Hsin-chu Industrial Park, Hukou, Hsin-chu.

The Corporation’s share was initially listed and started trading on the Taipei Exchange (“TPEX”) since April 3, 2003, after which the Corporation’s share was transferred for listing and started trading on the Taiwan Stock Exchange (“TWSE”) since November 8, 2004. The Corporation also issued Global Depository Shares (“GDS”), which are listed on the Luxembourg Stock Exchange and trading on the Euro MTF Market. The GDS was accepted for quotation on the International Order Book of the London Stock Exchange.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Corporation’s share is listed on the Taiwan Share Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on March 14, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

## Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 17,716,582	\$ 17,716,582
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	8,799	8,799
Mutual funds	Held-for-trading	Mandatorily at FVTPL	50,162	50,162
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	32,670	32,670
Debt securities	Held to maturity	Amortized cost	1,153,305	1,153,305
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	768,210	768,210
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	12,669,605	12,669,605
Pledged time deposits	Loans and receivables	Amortized cost	546,703	546,703
Refundable deposits	Loans and receivables	Amortized cost	63,660	63,660

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassificat- ions	Remeasure- ments	IFRS 9 Carrying Amount as of January 1, 2018	Remark
<u>FVTOCI</u>					
Equity instruments	\$ -	\$ -	\$ -		
Add: From available for sale (IAS 39)	-	32,670	-		a)
	<u>-</u>	<u>32,670</u>	<u>-</u>	\$ 32,670	
<u>Amortized cost</u>					
Add: From held to maturity (IAS 39)	-	1,153,305	-		b)
Add: From loans and receivables (IAS 39)	-	1,314,913	-		b)
	<u>-</u>	<u>2,468,218</u>	<u>-</u>	<u>2,468,218</u>	
	<u>\$ -</u>	<u>\$ 2,500,888</u>	<u>\$ -</u>	<u>\$ 2,500,888</u>	

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$(18,478) thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.
- b) Debt investments previously classified as held-to-maturity financial assets and debt investments with no active market, measured at amortized cost under IAS 39, were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

For the manufacturing of customer-specific goods, if the customer simultaneously receives and consumes the benefits provided by the Group’s performance or the customer controls the goods when they are created or enhanced, revenue is recognized over time under IFRS 15. Prior to the application of IFRS 15, the Group recognized revenue when the goods were delivered.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, a receivable was recognized or deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

The Group elects only to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
Inventories	\$ 4,078,030	\$ (1,508,892)	\$ 2,569,138
Contract assets - current	<u>-</u>	<u>1,683,071</u>	<u>1,683,071</u>
Total effect on assets	<u>\$ 4,078,030</u>	<u>\$ 174,179</u>	<u>\$ 4,252,209</u>
Advance payment received	\$ 43,742	\$ (43,742)	\$ -
Contract liabilities - current	-	43,742	43,742
Current income tax liabilities	<u>1,000,059</u>	<u>34,836</u>	<u>1,034,895</u>
Total effect on liabilities	<u>\$ 1,043,801</u>	<u>\$ 34,836</u>	<u>\$ 1,078,637</u>
Retained earnings	\$ 30,555,478	\$ 85,630	\$ 30,641,108
Non-controlling interests	<u>11,622,619</u>	<u>53,713</u>	<u>11,676,332</u>
Total effect on equity	<u>\$ 42,178,097</u>	<u>\$ 139,343</u>	<u>\$ 42,317,440</u>

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on assets, liabilities and equity for the current year

	<b>December 31, 2018</b>
Decrease in inventories	\$ (1,443,230)
Increase in contract assets - current	<u>1,671,214</u>
Increase in assets	<u>\$ 227,984</u>
Increase in contract liabilities - current	\$ 39,323
Increase in current income tax liabilities	10,761
Decrease in advance payment received	<u>(39,323)</u>
Increase in liabilities	<u>\$ 10,761</u>
Increase in retained earnings	\$ 44,854
Decrease in non-controlling interests	<u>(1,810)</u>
Increase in equity	<u>\$ 43,044</u>

Impact on total comprehensive income for the current year

	<b>For the Year Ended December 31, 2018</b>
Decrease in net sales	\$ (11,857)
Decrease in operating costs	65,662
Increase in income tax expense	<u>(10,761)</u>
Increase in net income for the year	<u>43,044</u>
Increase in total comprehensive income for the year	<u>\$ 43,044</u>
Increase (decrease) in net income attributable to:	
Shareholders of the Corporation	\$ 44,854
Non-controlling interests	<u>(1,810)</u>
	<u>\$ 43,044</u>
Increase (decrease) in total comprehensive income attributable to:	
Shareholders of the Corporation	\$ 44,854
Non-controlling interests	<u>(1,810)</u>
	<u>\$ 43,044</u>
Impact on earnings per share:	
Increase in basic earnings per share	<u>\$ 0.06</u>
Increase in diluted earnings per share	<u>\$ 0.06</u>



3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. The Group applied the above amendments retrospectively in 2018.

4) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Property, plant and equipment	\$ 61,980,853	\$ (75,336)	\$ 61,905,517
Right-of-use assets	<u>-</u>	<u>1,738,975</u>	<u>1,738,975</u>
Total effect on assets	<u>\$ 61,980,853</u>	<u>\$ 1,663,639</u>	<u>\$ 63,644,492</u>
Lease liabilities - current	\$ -	\$ 131,900	\$ 131,900
Finance lease payables - current	130,994	(130,994)	-
Lease liabilities - non-current	-	1,537,506	1,537,506
Finance lease payables - non-current	<u>163,439</u>	<u>(163,439)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 294,433</u>	<u>\$ 1,374,973</u>	<u>\$ 1,669,406</u>
Retained earnings	<u>\$ 26,601,327</u>	<u>\$ -</u>	<u>\$ 26,601,327</u>

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application on retained earnings on January 1, 2019.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

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

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

See Notes 16 and 38k for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries and associates in other countries or subsidiaries that use currencies different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

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

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

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

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

i. Property, plant, and equipment

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

Property, plant and equipment in the course of construction (including bearer plants before they are placed in the location and condition necessary to be capable of operating in the manner intended by management) are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit

shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation if corporate assets could be allocated to the individual cash-generating units, otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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



The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

m. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

n. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

2018

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (included related parties), other receivables (included related parties), pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

iii. Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

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

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

ii. Held-to-maturity financial assets

Corporate bonds, which the Group invests in and has positive intent and ability to hold to maturity, are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented as a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

#### iv. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables, and other financial assets) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

#### b) Impairment of financial assets and contract assets

##### 2018

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

##### 2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent impairment is recognized in other comprehensive income.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying

amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

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

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

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 34.

### b) Derecognition of financial liabilities

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

## 4) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

o. Provisions

Provisions, including indemnification payables, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. Revenue recognition

2018

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

For contracts where the period between the date the Group transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the rendering of services

As the Group fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Group. The Group has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Group fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Group has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time. Contract assets are recognized during the process of semiconductor assembling and testing, and are reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, the Group recognizes the difference as a contract liability. It is recognized as contract asset before the Group satisfies its performance obligations.

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

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials' ownership.

2) Revenue from the rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

q. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.



s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

b. Held-to-maturity financial assets - 2017

Management has reviewed the Group's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity.

c. Estimated impairment of financial assets - 2018

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

d. Estimated impairment of accounts receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

e. Write-down of inventory

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

f. Control over subsidiaries

It is described in Note 16 that Greatek Electronics Inc. is a subsidiary of the Group although the Group only owns less than 50% ownership interest in Greatek Electronics Inc. After considering the Group's absolute size of holdings in Greatek Electronics Inc. and the relative size of and dispersion of the shareholdings owned by the other shareholders, as well as the contractual arrangements between the Group and other investors, potential voting interests and other reasons, the management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Greatek Electronics Inc., and therefore the Group has control over Greatek Electronics Inc.

g. Useful lives of property, plant and equipment

As described in Note 4 (i), the Corporation reviews the estimated useful lives of property, plant and equipment at each balance sheet date. According to evaluation report by China Property Appraising Co., Ltd., through process of industry meta-analysis, functional analysis and economic analysis, the actual useful lives of the Corporation's equipment was found to have exceeded the original useful lives. The Corporation determined that the useful lives of certain items of machinery and equipment should be extended from 4 or 6 years to 8 years from January 1, 2014.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense for 2014 and for the future years, by the following amounts:

	<b>Amount</b>
2014	\$ (560,670)
2015	(295,092)
2016	16,683
2017	157,429
2018	309,629
2019 and beyond	372,021

h. Impairment of property, plant and equipment

The impairment of equipment was based on the recoverable amounts of those assets, which are the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or reversal of impairment losses.

i. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

j. Recognition and measurement of defined benefit plans

The net defined benefit liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities.

k. Revenue recognition - 2018

Note 4 (p) describes that the Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

l. Fair value measurements and valuation processes

For the Group's assets and liabilities measured at fair value that have no quoted prices in an active market, the Group should determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurement.

Information about the valuation techniques and inputs used in determining the fair values of various assets and liabilities is disclosed in Note 33.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Checking accounts and demand deposits	\$ 18,543,547	\$ 16,967,863
Cash on hand	595	719
Cash equivalents		
Repurchase agreements collateralized by bonds	-	748,000
	<u>\$ 18,544,142</u>	<u>\$ 17,716,582</u>

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Bank deposits	0%-3.10%	0%-1.75%
Repurchase agreements collateralized by bonds	-	0.36%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 8,799
Non-derivative financial assets		
Mutual funds	-	<u>50,162</u>
	<u>-</u>	<u>58,961</u>
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	5,841	-
Non-derivative financial assets		
Mutual funds	<u>50,376</u>	<u>-</u>
	<u>56,217</u>	<u>-</u>
	<u>\$ 56,217</u>	<u>\$ 58,961</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 2,223</u>	<u>\$ 5,887</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2018</u>			
Sell foreign exchange forward contracts	USD to NTD	2019.01.03-2019.03.13	USD 58,190
	USD to JPY	2019.01.02-2019.05.10	USD 10,618
	USD to CNY	2019.01.04-2019.01.08	USD 1,168
<u>December 31, 2017</u>			
Sell foreign exchange forward contracts	USD to NTD	2018.01.03-2018.03.08	USD 40,928
	USD to JPY	2018.01.05-2018.06.08	USD 32,006

The Group entered into foreign exchange forward contracts during 2018 and 2017 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

### Investments in equity instruments at FVTOCI

**December 31,  
2018**

#### Non-current

##### Domestic investments

##### Listed shares

Ordinary shares - Solid State System Co., Ltd.	\$ <u>26,803</u>
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These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

## 9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,  
2018**

#### Current

##### Domestic investments

Corporate bonds - 01 TSMC 1B Bond	\$ 100,015
Corporate bonds - P04 Hon Hai 4C Bond	100,000
Time deposits with original maturities of more than 3 months	8,605
Pledged time deposits	21,763
Restricted deposits	<u>318,534</u>

\$ 548,917

#### Non-current

##### Domestic investments

Corporate bonds - P06 Taiwan Power Company 1A Bond	\$ 300,001
Corporate bonds - P07 Taiwan Power Company 1A Bond	200,001
Corporate bonds - 02 Taiwan Power Company 1B Bond	151,518
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,001
Corporate bonds - P04 FENC 4 Bond	100,000
Corporate bonds - P06 FPC 1A Bond	100,000
Time deposits with original maturities of more than 3 months	992,774
Pledged time deposits	<u>96,815</u>

\$ 2,041,110

On October 20, 2015, the Group bought corporate bonds issued by TSMC, which have an effective interest rate of 0.91%; a premium value of \$101,740 thousand (par value \$100,000 thousand); and maturity on January 11, 2019.

On October 23, 2015, the Group bought corporate bonds issued by HON HAI PRECISION IND. CO., LTD., which have an effective interest rate of 1.15%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity on September 29, 2019.

On November 16, 2015, the Group bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity date of November 16, 2020.

On September 26, 2016, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63%, a premium value of \$154,054 thousand (par value \$150,000 thousand) and a maturity date of May 6, 2020.

On April 21, 2017, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13%, a premium value of \$300,002 thousand (par value \$300,000 thousand) and a maturity date of April 21, 2022.

On May 19, 2017, the Group bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09%, a premium value of \$100,001 thousand (par value \$100,000 thousand) and maturity dates of May 19, 2021 and May 19, 2022 with par value \$50,000 thousand due on both dates.

On December 15, 2017, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88%, a premium value of \$100,001 thousand (par value \$100,000 thousand) and maturity dates of December 15, 2021 and December 15, 2022 with par value \$50,000 thousand due on both dates.

On May 14, 2018, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value \$200,001 thousand (par value \$200,000 thousand) and a maturity date of May 14, 2021.

The Group bought corporate bonds that were classified as held-to-maturity financial assets under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

The interest rate interval of time deposits with original maturities of more than 3 months was 0.001%-1.92% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

Refer to Note 33 for information relating to their credit risk management and impairment.

Refer to Note 35 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

December 31,  
2017

### Non-current

Domestic investments  
Listed shares

\$ 32,670

## 11. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

December 31,  
2017

### Current

Domestic investments  
Corporate bonds - 02 Taiwan Power Company 1A Bond

\$ 200,102

### Non-current

Domestic investments  
Corporate bonds - P06 Taiwan Power Company 1A Bond  
Corporate bonds - 02 Taiwan Power Company 1B Bond  
Corporate bonds - 01 TSMC 1B Bond  
Corporate bonds - P06 Taiwan Power Company 3A Bond  
Corporate bonds - P04 Hon Hai 4C Bond  
Corporate bonds - P04 FENC 4 Bond  
Corporate bonds - P06 FPC 1A Bond

\$ 300,001  
152,641  
100,560  
100,001  
100,000  
100,000  
100,000

\$ 953,203

On March 19, 2015, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13%, at a premium value of \$200,918 thousand (par value \$200,000 thousand) and a maturity date of May 6, 2018.

For information on the remaining debt securities refer to Note 9.

## 12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

December 31,  
2017

### Non-current

Time deposits with original maturities of more than 3 months  
Pledged time deposits

\$ 768,210  
546,703

\$ 1,314,913

a. As of December 31, 2017, the market interest rates of the pledged time deposits were 0.60%-1.10% per annum.



b. Refer to Note 35 for information relating to debt investments with no active market pledged as security.

### 13. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 78,037	\$ 76,020
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	8,926,869	8,346,431
Less: Allowance for impairment loss	<u>(38,081)</u>	<u>(39,473)</u>
	<u>8,888,788</u>	<u>8,306,958</u>
	<u>\$ 8,966,825</u>	<u>\$ 8,382,978</u>

#### In 2018

The average credit period of sales of goods was 7 days to 210 days starting from the first day of the month following the invoice date. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

#### December 31, 2018

	<u>Not Past Due</u>	<u>Less than 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>	<u>Total</u>
Gross carrying amount	\$ 8,668,966	\$ 184,436	\$ 57,213	\$ 10,235	\$ 6,019	\$ 8,926,869
Loss allowance (Lifetime ECLs)	<u>(6,133)</u>	<u>(15,943)</u>	<u>(4,093)</u>	<u>(8,029)</u>	<u>(3,883)</u>	<u>(38,081)</u>
Amortized cost	<u>\$ 8,662,833</u>	<u>\$ 168,493</u>	<u>\$ 53,120</u>	<u>\$ 2,206</u>	<u>\$ 2,136</u>	<u>\$ 8,888,788</u>

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

	<b>2018</b>
Balance at January 1, 2018 per IAS 39	\$ 39,473
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	39,473
Less: Amounts written off	<u>(1,392)</u>
 Balance at December 31, 2018	 <u>\$ 38,081</u>

In 2017

The credit policy of the Group in 2017 is the same as the above-mentioned credit policy in 2018. In determining the recoverability of an accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized with reference to past default experience of the counterparties and an analysis of their current financial positions.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss. There was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

Aging of receivables was as follows:

	<b>December 31, 2017</b>
Up to 60 days	\$ 6,993,097
61-90 days	833,361
91-120 days	490,696
More than 120 days	<u>29,277</u>
	 <u>\$ 8,346,431</u>

The above aging schedule was based on the invoice date.

Aging of receivables that are past due but not impaired was as follows:

	<b>December 31, 2017</b>
Up to 60 days	\$ 28,566
61-90 days	2,931
91-120 days	55
More than 120 days	<u>66</u>
	 <u>\$ 31,618</u>

The above aging schedule was based on the number of past due days.

Movements in the allowance for impairment loss recognized on accounts receivable were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 7,949	\$ 15,868	\$ 23,817
Add: Impairment losses recognized on receivables	35	18,120	18,155
Less: Amounts written off during the year as uncollectible	(1,876)	(508)	(2,384)
Foreign exchange translation losses	<u>(115)</u>	<u>-</u>	<u>(115)</u>
Balance at December 31, 2017	<u>\$ 5,993</u>	<u>\$ 33,480</u>	<u>\$ 39,473</u>

As of December 31, 2017, the amount of individually impaired accounts receivable was \$5,993 thousand. These amounts relate to customers that had been in significant financial difficulty. The Group did not hold any collateral over these balances.

#### 14. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Finished goods	\$ -	\$ 376,645
Work in progress	-	1,132,247
Raw materials	3,402,888	2,179,766
Supplies	<u>420,072</u>	<u>389,372</u>
	<u>\$ 3,822,960</u>	<u>\$ 4,078,030</u>

The nature of the cost of goods sold were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	<u>\$ 54,209,337</u>	<u>\$ 46,933,571</u>
Write-down of inventories	<u>\$ 103,083</u>	<u>\$ 52,869</u>
Unallocated overhead	<u>\$ 3,327,060</u>	<u>\$ 3,344,401</u>
Sales of scrap	<u>\$ 146,515</u>	<u>\$ 113,912</u>

#### 15. NON-CURRENT ASSETS HELD FOR SALE

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Equipment held for sale	<u>\$ -</u>	<u>\$ 1,056,479</u>

Tera Probe, Inc., a subsidiary of the Group, entered into a sales contract in April 2017 for the sale of some of its machinery and equipment. Since the transaction occurred before the Group obtained control of Tera Probe, Inc., the selling price was included in the acquisition price on the acquisition date, refer to Note 31 for the details. The aforementioned disposal plan was completed in May 2018.

## 16. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2018	2017	
Powertech Technology Inc.	Powertech Holding (BVI) Inc.	Investment business	100	100	-
	Greatek Electronics Inc. ("GEL")	Semiconductor assembly and testing services	43	43	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Integrated circuit testing and assembly services	100	100	-
	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	36	36	Note 3
	Powertech Technology Japan Ltd.	Investment business	100	100	Note 4
	Tera Probe, Inc.	Wafer probing test services	12	12	Notes 2 and 5
	TeraPower Technology Inc.	Wafer probing test services	49	49	Note 6
Powertech Holding (BVI) Inc.	PTI Technology (Singapore) Pte. Ltd.	Investment business	100	100	-
PTI Technology (Singapore) Pte. Ltd.	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	100	100	-
Powertech Technology (Singapore) Pte. Ltd.	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	64	64	Note 3
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Wafer probing test services	47	47	Notes 2 and 5
	Powertech Technology Akita Inc.	Semiconductor assembly and testing service	100	100	Note 8
Tera Probe, Inc.	TeraPower Technology Inc.	Wafer probing test services	51	51	Note 6
	Tera Probe Aizu, Inc.	Wafer probing test services	100	100	Note 7

Note 1: On the reelection of the directors and supervisors of Greatek Electronics Inc., the Corporation obtained the majority of the board seats and Greatek Electronics Inc., became a subsidiary of the Corporation even though the Corporation has only 43% ownership of Greatek Electronics Inc.

Note 2: Subsidiaries that have material non-controlling interests.

Note 3: The Corporation invested directly in Powertech Technology (Xi'an) Ltd. in January 2017, and obtained 36% ownership of the latter. As a result, Powertech Technology (Singapore) Pte. Ltd. obtained 64% ownership of Powertech Technology (Xi'an) Ltd.

Note 4: The subsidiary was established in January 2017.

Note 5: Powertech Technology Japan Ltd. intended to acquire the shares of Tera Probe, Inc. by means of tender offer in April 2017 and finished the acquisition in May 2017. 47% ownership of Tera Probe, Inc. was acquired by tender offer. Together with the Corporation's original 12% ownership, the total ownership was 59%, and therefore the Group obtained control over Tera Probe, Inc. Refer to Note 30 for the details.

Note 6: The Corporation has 49% ownership of TeraPower Technology Inc. and Tera Probe, Inc. has 51% ownership of TeraPower Technology Inc. Since the Corporation already obtained control over Tera Probe, Inc. in May 2017, it also obtained control over TeraPower Technology Inc. Refer to Note 30 for the details.

Note 7: Tera Probe Aizu, Inc. is a 100%-owned subsidiary of Tera Probe, Inc.

Note 8: Powertech Technology Japan Ltd. completed the acquisition of Powertech Technology Akita Inc. in August 2017, and the total ownership after the acquisition was 100%. Therefore the Group obtained control over Powertech Technology Akita Inc. Refer to Note 30 for the details. Besides, Powertech Technology Japan Ltd. participated in the issuance of common share of Powertech Technology Akita Inc. on October 25, 2017, and the investment amount was 980,000 thousand yen.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31 2018	December 31 2017
Greatek Electronics Inc.	Zhunan Township, Miaoli County	57%	57%
Tera Probe, Inc.	Japan	41%	41%

  

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2018	2017	2018	2017
Greatek Electronics Inc.	\$ 1,334,852	\$ 1,433,849	\$ 9,326,563	\$ 8,943,679
Tera Probe, Inc.	\$ (56,566)	\$ 8,164	\$ 2,747,578	\$ 2,678,940

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Greatek Electronics Inc.

	December 31	
	2018	2017
Current assets	\$ 7,351,080	\$ 7,476,651
Non-current assets	11,473,480	10,663,235
Current liabilities	(2,369,720)	(2,396,897)
Non-current liabilities	(235,776)	(219,050)
Equity	\$ 16,219,064	\$ 15,523,939
Equity attributable to:		
Owners of the Corporation	\$ 6,958,819	\$ 6,660,574
Non-controlling interests	9,260,245	8,863,365
	\$ 16,219,064	\$ 15,523,939

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating revenue	\$ <u>12,356,434</u>	\$ <u>11,951,769</u>
Net income for the year	\$ 2,375,453	\$ 2,508,628
Other comprehensive income for the year	<u>(67,552)</u>	<u>(21,217)</u>
Total comprehensive income for the year	\$ <u>2,307,901</u>	\$ <u>2,487,411</u>
Net income attributable to:		
Owners of the Corporation	\$ 1,019,192	\$ 1,076,331
Non-controlling interests	<u>1,356,261</u>	<u>1,432,297</u>
	\$ <u>2,375,453</u>	\$ <u>2,508,628</u>
Total comprehensive income attributable to:		
Owners of the Corporation	\$ 990,208	\$ 1,067,228
Non-controlling interests	<u>1,317,693</u>	<u>1,420,183</u>
	\$ <u>2,307,901</u>	\$ <u>2,487,411</u>
Net cash inflow (outflow) from :		
Operating activities	\$ 4,504,087	\$ 4,422,779
Investing activities	(3,103,917)	(3,662,141)
Financing activities	<u>(1,706,442)</u>	<u>(1,566,204)</u>
Net cash outflow	\$ <u>(306,272)</u>	\$ <u>(805,566)</u>
Dividends paid to non-controlling interests Greatek Electronics Inc.	\$ <u>974,345</u>	\$ <u>893,149</u>

Tera Probe, Inc.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets	\$ 3,111,580	\$ 3,019,962
Non-current assets	5,566,923	5,008,209
Current liabilities	(1,844,532)	(1,352,203)
Non-current liabilities	<u>(845,862)</u>	<u>(594,760)</u>
Equity	\$ <u>5,988,109</u>	\$ <u>6,081,208</u>
Equity attributable to:		
Owners of the Corporation	\$ 3,559,332	\$ 3,614,670
Non-controlling interests	<u>2,428,777</u>	<u>2,466,538</u>
	\$ <u>5,988,109</u>	\$ <u>6,081,208</u>

	<b>For the Year Ended December 31, 2018</b>	<b>For the Period from May 29, 2017 (the Acquisition Date) to December 31, 2017</b>
Operating revenue	<u>\$ 2,474,427</u>	<u>\$ 3,760,828</u>
Net (loss) income	\$ (214,235)	\$ 37,644
Other comprehensive (loss) income	<u>(148,799)</u>	<u>88,502</u>
Total comprehensive (loss) income	<u>\$ (363,034)</u>	<u>\$ 126,146</u>
Net (loss) income attributable to:		
Owners of the Corporation	\$ (127,341)	\$ 22,344
Non-controlling interests	<u>(86,894)</u>	<u>15,300</u>
	<u>\$ (214,235)</u>	<u>\$ 37,644</u>
Total comprehensive (loss) income attributable to:		
Owners of the Corporation	\$ (215,787)	\$ 74,981
Non-controlling interests	<u>(147,247)</u>	<u>51,165</u>
	<u>\$ (363,034)</u>	<u>\$ 126,146</u>
Cash flow inflow (outflow) from:		
Operating activities	\$ 1,189,726	\$ 841,640
Investing activities	(2,429,457)	(2,947,345)
Financing activities	<u>1,860,481</u>	<u>1,254,480</u>
Net cash inflow (outflow)	<u>\$ 620,750</u>	<u>\$ (851,225)</u>

The share of profit or loss and other comprehensive income of those subsidiaries for the years ended December 31, 2018 and 2017 was based on the subsidiaries' financial statements audited by the auditors for the same years.

## **17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

### Investments in associates

In August 2008, the Corporation signed an agreement with Tera Probe Inc. to jointly establish TeraPower Technology Inc. ("TeraPower"), and the related investment was accounted for using the equity method. TeraPower mainly renders wafer probing test services to semiconductor companies.

Since the Corporation already obtained control over Tera Probe, Inc. in May 2017, it also obtained control over TeraPower Technology Inc. Refer to Note 16 for the details.

Aggregate information on the associates is as follows:

**For the Year  
Ended  
December 31,  
2017**

The Group's share of:

Net income	\$ 108,792
Other comprehensive income	<u>-</u>
<b>Total comprehensive income</b>	<b><u>\$ 108,792</u></b>

The share of profit or loss and other comprehensive income of investments in associates accounted for using the equity method for the year ended December 31, 2017 was based on the associates' audited financial statements for the same years as those of the Corporation.

## 18. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Carrying amounts from each category</u>		
Land	\$ 3,320,488	\$ 3,317,858
Buildings	16,986,287	14,329,813
Machinery and equipment	33,476,984	30,355,038
Office equipment	572,572	620,938
Leasehold improvements	53,243	64,384
Other equipment	559,351	734,657
Construction in progress	861,381	872,522
Advance payments	6,016,130	8,257,379
Spare parts	<u>134,417</u>	<u>110,432</u>
	<b><u>\$ 61,980,853</u></b>	<b><u>\$ 58,663,021</u></b>

	<b>For the Year Ended December 31, 2017</b>									
	Land	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare Parts	Total
<u>Cost</u>										
Balance, beginning of year	\$ 2,480,125	\$ 17,131,584	\$ 60,797,008	\$ 1,446,040	\$ 335,730	\$ 3,268,388	\$ 2,082,012	\$ 7,196,731	\$ 106,788	\$ 94,844,406
Acquisitions through business combinations	673,213	1,713,889	13,826,672	1,140,716	162,563	140,795	10,797	1,635,816	-	19,304,461
Additions	30,682	404,510	3,068,939	60,639	691	99,901	1,685,941	12,903,749	334,318	18,589,370
Disposals	-	(311,496)	(4,418,107)	(133,832)	(11,531)	(170,519)	-	(16,787)	(318,341)	(5,380,613)
Reclassifications	134,386	4,347,545	11,282,092	263,410	(52,433)	329,153	(2,901,493)	(13,424,935)	-	(22,275)
Effects of foreign currency exchange differences	(548)	(39,703)	(629,540)	(47,349)	(27,026)	(20,328)	(4,735)	(37,195)	(1,184)	(807,608)
Balance, end of year	<u>3,317,858</u>	<u>23,246,329</u>	<u>83,927,064</u>	<u>2,729,624</u>	<u>407,994</u>	<u>3,647,390</u>	<u>872,522</u>	<u>8,257,379</u>	<u>121,581</u>	<u>126,527,741</u>
<u>Accumulated depreciation</u>										
Balance, beginning of year	-	7,075,731	39,197,724	1,116,971	205,271	2,742,405	-	-	6,803	50,344,905
Acquisitions through business combinations	-	609,858	10,342,126	873,307	53,868	19,722	-	-	-	11,898,881
Depreciation expense	-	1,313,548	8,359,757	192,809	32,000	272,427	-	-	323,292	10,493,833
Disposals	-	(272,730)	(4,009,828)	(127,586)	(6,576)	(118,027)	-	-	(318,341)	(4,853,088)
Reclassifications	-	-	12,640	930	(2,260)	-	-	-	-	11,310
Effects of foreign currency exchange differences	-	(17,613)	(387,090)	(33,313)	(16,504)	(3,794)	-	-	(605)	(458,919)
Balance, end of year	<u>-</u>	<u>8,708,794</u>	<u>53,515,329</u>	<u>2,023,118</u>	<u>265,799</u>	<u>2,912,733</u>	<u>-</u>	<u>-</u>	<u>11,149</u>	<u>67,436,922</u>
<u>Accumulated impairment</u>										
Balance, beginning of year	-	211,433	31,061	83,022	-	-	-	-	-	325,516
Acquisitions through business combinations	-	-	(520)	-	-	-	-	-	-	(520)
Impairment loss	-	-	26,565	9,723	77,811	-	-	-	-	114,099
Disposals	-	(908)	-	(5,976)	-	-	-	-	-	(6,884)
Effects of foreign currency exchange differences	-	(2,803)	(409)	(1,201)	-	-	-	-	-	(4,413)
Balance, end of year	<u>-</u>	<u>207,722</u>	<u>56,697</u>	<u>85,568</u>	<u>77,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,798</u>
Net book value, end of year	<u>\$ 3,317,858</u>	<u>\$ 14,329,813</u>	<u>\$ 30,355,038</u>	<u>\$ 620,938</u>	<u>\$ 64,384</u>	<u>\$ 734,657</u>	<u>\$ 872,522</u>	<u>\$ 8,257,379</u>	<u>\$ 110,432</u>	<u>\$ 58,663,021</u>



	For the Year Ended December 31, 2018									
	Land	Buildings	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare Parts	Total
<b>Cost</b>										
Balance, beginning of year	\$ 3,317,858	\$23,246,329	\$83,927,064	\$ 2,729,624	\$ 407,994	\$ 3,647,390	\$ 872,522	\$ 8,257,379	\$ 121,581	\$126,527,741
Additions	3,203	223,013	2,231,604	12,332	18,044	64,574	2,560,902	11,585,158	351,928	17,050,758
Disposals	-	(545,656)	(7,352,301)	(696,224)	(95,175)	(159,598)	(185,285)	(7,500)	(326,281)	(9,368,020)
Reclassifications	-	4,020,150	11,739,880	259,481	18,073	88,110	(2,354,305)	(13,828,008)	-	(56,619)
Effects of foreign currency exchange differences	1,189	974	687,819	38,601	13,278	10,299	13,185	9,101	466	774,912
Balance, end of year	<u>3,322,250</u>	<u>26,944,810</u>	<u>91,234,066</u>	<u>2,343,814</u>	<u>362,214</u>	<u>3,650,775</u>	<u>907,019</u>	<u>6,016,130</u>	<u>147,694</u>	<u>134,928,772</u>
<b>Accumulated depreciation</b>										
Balance, beginning of year	-	8,708,794	53,515,329	2,023,118	265,799	2,912,733	-	-	11,149	67,436,922
Depreciation expense	-	1,473,068	10,066,565	277,308	55,488	312,270	-	-	328,046	12,512,745
Disposals	-	(483,870)	(6,730,724)	(668,062)	(94,025)	(137,910)	-	-	(326,281)	(8,440,872)
Reclassifications	-	6,832	9,244	41	(6,873)	(19)	-	-	-	9,225
Effects of foreign currency exchange differences	-	(6,391)	543,203	26,018	8,284	4,350	-	-	363	575,827
Balance, end of year	-	<u>9,698,433</u>	<u>57,403,617</u>	<u>1,658,423</u>	<u>228,673</u>	<u>3,091,424</u>	-	-	<u>13,277</u>	<u>72,093,847</u>
<b>Accumulated impairment</b>										
Balance, beginning of year	-	207,722	56,697	85,568	77,811	-	-	-	-	427,798
Impairment loss	1,733	56,259	289,034	41,271	176	-	44,851	-	-	433,324
Disposals	-	(122)	-	(13,735)	-	-	-	-	-	(13,857)
Effects of foreign currency exchange differences	29	(3,769)	7,734	(285)	2,311	-	787	-	-	6,807
Balance, end of year	<u>1,762</u>	<u>260,090</u>	<u>353,465</u>	<u>112,819</u>	<u>80,298</u>	-	<u>45,638</u>	-	-	<u>854,072</u>
Net book value, end of year	<u>\$ 3,320,488</u>	<u>\$16,986,287</u>	<u>\$33,476,984</u>	<u>\$ 572,572</u>	<u>\$ 53,243</u>	<u>\$ 559,351</u>	<u>\$ 861,381</u>	<u>\$ 6,016,130</u>	<u>\$ 134,417</u>	<u>\$61,980,853</u>

Tera Probe, Inc. and Powertech Technology Akita Inc. expect a decrease in the future cash flows of land, buildings, machinery and equipment, office equipment, leasehold improvements and construction in progress. Therefore, impairment losses of \$433,324 thousand were recognized in other gains and losses for the year ended December 31, 2018. Tera Probe, Inc. determined the recoverable amount of the relevant assets on the basis of their value in use, and the discount rate used in measuring value in use was 3.30% per annum; Powertech Technology Akita Inc. evaluated that the carrying amount of some machinery and equipment cannot be recovered.

Powertech Technology (Singapore) Pte. Ltd. expect a decrease in the future cash flows of machinery and equipment, office equipment and leasehold improvements. Therefore, impairment losses of \$114,099 thousand were recognized for the year ended December 31, 2017. The Group determined the recoverable amount of the relevant assets on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 2 measurement.

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

<b>Buildings</b>	
Main plants	3-51 years
Mechanical and electrical power equipment	1-26 years
Wafer Fab	6-16 years
Fire control equipment	2-26 years
Others	1-56 years
<b>Machinery and equipment</b>	1-20 years
<b>Office equipment</b>	1-25 years
<b>Leasehold improvements</b>	4-8 years
<b>Other equipment</b>	1-16 years
<b>Spare parts</b>	0.5-2 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 36.

## 19. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Carrying amounts from each category</u>		
Computer software	\$ 133,364	\$ 191,126
Goodwill	979,819	979,819
Client relationships	48,610	73,842
Royalty	411	505
Technical services	<u>-</u>	<u>4,357</u>
	<u>\$ 1,162,204</u>	<u>\$ 1,249,649</u>

	<b>For the Year Ended December 31, 2017</b>						
	<b>Computer Software</b>	<b>Goodwill</b>	<b>Core Technologies</b>	<b>Client Relationships</b>	<b>Royalty</b>	<b>Technical Services</b>	<b>Total</b>
<u>Cost</u>							
Balance, beginning of year	\$ 143,936	\$ 979,819	\$ 323,782	\$ 220,775	\$ -	\$ 88,894	\$ 1,757,206
Acquisitions through business combinations	412,771	-	-	-	1,720	-	414,491
Additions	46,676	-	-	-	-	-	46,676
Reclassifications	20,530	-	-	-	-	-	20,530
Effects of foreign currency exchange differences	<u>(8,030)</u>	<u>-</u>	<u>(38,281)</u>	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>(46,352)</u>
Balance, end of year	<u>615,883</u>	<u>979,819</u>	<u>285,501</u>	<u>220,775</u>	<u>1,679</u>	<u>88,894</u>	<u>2,192,551</u>
<u>Accumulated amortization</u>							
Balance, beginning of year	122,325	-	310,966	121,702	-	77,064	632,057
Acquisitions through business combinations	256,271	-	-	-	1,135	-	257,406
Amortization expense	52,665	-	12,815	25,231	68	7,473	98,252
Effects of foreign currency exchange differences	<u>(6,504)</u>	<u>-</u>	<u>(38,280)</u>	<u>-</u>	<u>(29)</u>	<u>-</u>	<u>(44,813)</u>
Balance, end of year	<u>424,757</u>	<u>-</u>	<u>285,501</u>	<u>146,933</u>	<u>1,174</u>	<u>84,537</u>	<u>942,902</u>
Net book value, end of year	<u>\$ 191,126</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 73,842</u>	<u>\$ 505</u>	<u>\$ 4,357</u>	<u>\$ 1,249,649</u>

	<b>For the Year Ended December 31, 2018</b>						
	<b>Computer Software</b>	<b>Goodwill</b>	<b>Core Technologies</b>	<b>Client Relationships</b>	<b>Royalty</b>	<b>Technical Services</b>	<b>Total</b>
<u>Cost</u>							
Balance, beginning of year	\$ 615,883	\$ 979,819	\$ 285,501	\$ 220,775	\$ 1,679	\$ 88,894	\$ 2,192,551
Additions	33,090	-	-	-	-	-	33,090
Disposals	(50,667)	-	-	-	-	-	(50,667)
Reclassifications	47,976	-	-	-	-	-	47,976
Effects of foreign currency exchange differences	<u>15,252</u>	<u>-</u>	<u>(35,398)</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>(20,060)</u>
Balance, end of year	<u>661,534</u>	<u>979,819</u>	<u>250,103</u>	<u>220,775</u>	<u>1,765</u>	<u>88,894</u>	<u>2,202,890</u>
<u>Accumulated amortization</u>							
Balance, beginning of year	424,757	-	285,501	146,933	1,174	84,537	942,902
Amortization expense	114,333	-	-	25,232	118	4,357	144,040
Disposals	(30,643)	-	-	-	-	-	(30,643)
Reclassifications	3,195	-	-	-	-	-	3,195
Effects of foreign currency exchange differences	<u>12,168</u>	<u>-</u>	<u>(35,398)</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>(23,168)</u>
Balance, end of year	<u>523,810</u>	<u>-</u>	<u>250,103</u>	<u>172,165</u>	<u>1,354</u>	<u>88,894</u>	<u>1,036,326</u>
<u>Accumulated impairment</u>							
Balance, beginning of year	-	-	-	-	-	-	-
Impairment loss	4,285	-	-	-	-	-	4,285
Disposals	-	-	-	-	-	-	-
Effects of foreign currency exchange differences	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>
Balance, end of year	<u>4,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,360</u>
Net book value, end of year	<u>\$ 133,364</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 48,610</u>	<u>\$ 411</u>	<u>\$ -</u>	<u>\$ 1,162,204</u>

Tera Probe, Inc. expects that the estimated future cash flows of computer software will decrease. Therefore, an impairment loss of \$4,285 thousand was recognized for the year ended December 31, 2018. Tera Probe, Inc. determined the recoverable amount of the relevant assets on the basis of their value in use, and the discount rate used in measuring value in use was 3.30% per annum

The above items of intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Core technologies	5 years
Client relationships	9 years
Royalty	1-10 years
Technical services	2-4 years

## 20. OTHER ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Tax refund receivables	\$ 467,876	\$ 378,556
Payment on behalf of others	284,195	146,439
Lease prepayments	2,566	2,628
Restricted assets	-	319,755
Others	<u>58,211</u>	<u>190,068</u>
	<u>\$ 812,848</u>	<u>\$ 1,037,446</u>
<u>Non-current</u>		
Lease prepayments	\$ 63,520	\$ 67,671
Refundable deposits	45,635	63,660
Prepayments for equipment	4,060	8,957
Other	<u>23,945</u>	<u>54,325</u>
	<u>\$ 137,160</u>	<u>\$ 194,613</u>

Lease prepayments include land use rights for land in mainland China.

Restricted assets refer to fixed deposits. (See Note 36 for the details)

## 21. BORROWINGS

### a. Short-term bank loans

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Unsecured borrowings</u>		
Working capital loan	<u>\$ 843,953</u>	<u>\$ 3,842,349</u>

The effective interest rate ranges on the working capital loan was 0.68%-4.40% and 0.68%-4.79% as of December 31, 2018 and 2017, respectively.

b. Long-term debt

The long-term debt of the Group are all floating rate debt, which include:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
1) Secured borrowings (Note 36)	\$ 13,534,928	\$ 11,396,343
2) Unsecured borrowings	<u>17,699,048</u>	<u>15,756,038</u>
	31,233,976	27,152,381
Less: Current portions	<u>(361,637)</u>	<u>(134,793)</u>
	<u>\$ 30,872,339</u>	<u>\$ 27,017,588</u>
1) Repayable continually from April 2021 to December 2038; interest rate range was 1.14%-1.25% on December 31, 2018 and 1.11%-1.30% on December 31, 2017.		
2) Repayable continually from November 2019 to November 2023; interest rate range was 0.69%-3.77% on December 31, 2018 and 0.69%-2.67% on December 31, 2017.		

For PTI's long-term debt, the financing banks required PTI to show compliance with requirements to maintain the current ratio, fixed ratio, liability ratio, financial liability ratio, equity ratio, interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities in its annual and semiannual consolidated financial statements. As of December 31, 2018, PTI was in compliance with these ratio requirements.

## 22. FINANCE LEASE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Minimum lease payments</u>		
Up to one year	\$ 133,422	\$ 135,197
Over one year and up to five years	<u>166,085</u>	<u>174,975</u>
	299,507	310,172
Less: Future finance charges	<u>(5,074)</u>	<u>(3,933)</u>
Present value of minimum lease payments	<u>\$ 294,433</u>	<u>\$ 306,239</u>
<u>Present value of minimum lease payments</u>		
Up to one year	\$ 130,994	\$ 132,841
Over one year and up to five years	<u>163,439</u>	<u>173,398</u>
	<u>\$ 294,433</u>	<u>\$ 306,239</u>

Powertech Technology (Singapore) Pte. Ltd., Tera Probe, Inc. and TeraPower Technology Inc. leased some of its manufacturing equipment under finance leases. The average lease terms were between three and five years.

Interest rates for all obligations under finance leases were fixed at their respective contract dates ranging from 0.40% to 5.19% per annum.

## 23. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Accrued expenses and other current liabilities		
Salaries and bonuses	\$ 2,001,199	\$ 2,028,267
Payables for insurance	201,643	196,093
Payables for utilities	185,893	159,395
Agency receipts	133,357	101,477
Indemnification payable (a)	99,321	74,554
Payables for annual leave	24,621	40,873
Payables for settlement (b)	-	634,270
Others	<u>4,578,908</u>	<u>4,290,255</u>
	<u>\$ 7,224,942</u>	<u>\$ 7,525,184</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 4,260	\$ 648
Others	<u>376,989</u>	<u>395,019</u>
	<u>\$ 381,249</u>	<u>\$ 395,667</u>

- a. Indemnification payable are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- b. The Group entered into a litigation settlement agreement with Tessera Inc., refer to Note 36 for the details.

## 24. RETIREMENT BENEFIT PLANS

- a. Defined contribution plan

PTI, GEI and TeraPower Technology Inc. adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

- b. Defined benefit plan

The defined benefit plan adopted by the Group's subsidiaries PTI, GEI and TeraPower Technology Inc. in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. PTI, GEI and TeraPower Technology Inc. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Group is required to fund the difference in one appropriation that should be

made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of funded defined benefit obligation	\$ 1,119,258	\$ 1,052,260
Fair value of plan assets	<u>(716,466)</u>	<u>(656,262)</u>
Net defined benefit liabilities	<u>\$ 402,792</u>	<u>\$ 395,998</u>
Net defined benefit assets	\$ (1,738)	\$ (497)
Net defined benefit liabilities	<u>404,530</u>	<u>396,495</u>
	<u>\$ 402,792</u>	<u>\$ 395,998</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2017	<u>\$ 633,851</u>	<u>\$ (390,186)</u>	<u>\$ 243,665</u>
Service cost			
Current service cost	23,546	-	23,546
Net interest expense (income)	<u>11,738</u>	<u>(7,598)</u>	<u>4,140</u>
Recognized in profit or loss	<u>35,284</u>	<u>(7,598)</u>	<u>27,686</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,448)	(9,448)
Actuarial loss - changes in demographics assumptions	28	-	28
Actuarial loss - changes in financial assumptions	25,989	-	25,989
Actuarial loss - experience adjustments	22,563	1,056	23,619
Others	<u>50</u>	<u>-</u>	<u>50</u>
Recognized in other comprehensive income	<u>48,630</u>	<u>(8,392)</u>	<u>40,238</u>
Contributions from the employer	<u>-</u>	<u>(42,575)</u>	<u>(42,575)</u>
Benefits paid	<u>(20,294)</u>	<u>19,432</u>	<u>(862)</u>
Acquisitions through business combinations	<u>365,618</u>	<u>(234,332)</u>	<u>131,286</u>
Effects of foreign currency exchange differences	<u>(10,829)</u>	<u>7,389</u>	<u>(3,440)</u>
Balance at December 31, 2017	<u>1,052,260</u>	<u>(656,262)</u>	<u>395,998</u>
Service cost			
Current service cost	46,199	-	46,199
Net interest expense (income)	<u>11,186</u>	<u>(7,058)</u>	<u>4,128</u>
Recognized in profit or loss	<u>57,385</u>	<u>(7,058)</u>	<u>50,327</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (23,281)	\$ (23,281)
Actuarial loss - changes in demographics assumptions	4,959	-	4,959
Actuarial loss - changes in financial assumptions	25,592	-	25,592
Actuarial loss - experience adjustments	21,244	(5,234)	16,010
Others	<u>(2,834)</u>	<u>-</u>	<u>(2,834)</u>
Recognized in other comprehensive income	<u>48,961</u>	<u>(28,515)</u>	<u>20,446</u>
Contributions from the employer	<u>-</u>	<u>(54,918)</u>	<u>(54,918)</u>
Benefits paid	<u>(57,337)</u>	<u>42,721</u>	<u>(14,616)</u>
Effects of foreign currency exchange differences	<u>17,989</u>	<u>(12,434)</u>	<u>5,555</u>
Balance at December 31, 2018	<u>\$ 1,119,258</u>	<u>\$ (716,466)</u>	<u>\$ 402,792</u> (Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rates	0.43%-1.38%	0.50%-1.50%
Expected rates of salary increase	2.25%-5.00%	2.25%-5.00%
Return on plan assets	1.00%-1.10%	1.20%-1.35%

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.50% increase	<u>\$ (56,964)</u>	<u>\$ (54,545)</u>
0.50% decrease	<u>\$ 60,394</u>	<u>\$ 58,277</u>
Expected rate of salary increase		
0.50% increase	<u>\$ 48,166</u>	<u>\$ 47,431</u>
0.50% decrease	<u>\$ (45,518)</u>	<u>\$ (44,785)</u>

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Expected contributions to the plan for the following year	<u>\$ 48,643</u>	<u>\$ 62,436</u>
Average duration of the defined benefit obligation	8-18 years	9-17 years

## 25. EQUITY

### a. Capital share

#### 1) Common share

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Share authorized (in thousands of shares)	<u>1,500,000</u>	<u>1,500,000</u>
Share authorized (in thousands of dollars)	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Share issued and fully paid (in thousands of shares)	<u>779,147</u>	<u>779,147</u>
Share issued (in thousands of dollars)	<u>\$ 7,791,466</u>	<u>\$ 7,791,466</u>

Fully paid common share, which have a par value of \$10, carry 1 vote per share and carry a right to dividends.

15,000 thousand shares of the capital share was reserved for the issuance of employee share options.

As of December 31, 2018, 89 thousand units of GDSs of the Corporation were traded on the Luxembourg Share Exchange. The number of common shares represented by the GDSs was 178 thousand shares (one GDS represents 2 common shares).



b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital share (1)</u>		
Share premium	\$ 1,929	\$ 1,929
<u>May be used to offset a deficit only</u>		
Arising from treasury share transactions	125,712	117,612
Share of changes in capital surplus of subsidiaries and associates	<u>93</u>	<u>52</u>
	<u>\$ 127,734</u>	<u>\$ 119,593</u>

- 1) The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in the following order:

- 1) Offset deficits.
- 2) Set aside as legal reserve 10% of the remaining profit.
- 3) Appropriate as special reserve.
- 4) After the above-mentioned amounts have been deducted, any remaining profit from the previous years and the current year's undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders as to whether the amount should be distributed as dividends or retained within the Corporation.

Dividends are distributed in the form of cash, common share or a combination of cash and common share. In consideration of the Corporation being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total cash dividends paid in any given year should be at least 20% of total dividends distributed.

For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 27(e).

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Corporation. Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 8, 2018 and May 26, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	<u>For the Year Ended December 31</u>		<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve appropriated	\$ 584,926	\$ 483,460	\$ -	\$ -
Special reserve appropriated	337,628	-	-	-
Cash dividends	3,506,160	2,555,601	4.5	3.28

The Corporation's shareholders also resolved to issue cash dividends from the capital surplus of \$560,986 thousand in the shareholders' meeting on May 26, 2017. (About \$0.72 per share.)

The appropriation of earnings for 2018 had been proposed by the Corporation's board of directors on March 14, 2019. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share</u>
Legal reserve appropriated	\$ 623,428	\$ -
Special reserve reversed	(142,558)	-
Cash dividends	3,739,904	4.8

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in the shareholders' meeting to be held on May 31, 2019.

d. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ (319,150)	\$ 9,562
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	<u>148,425</u>	<u>(328,712)</u>
Other comprehensive income recognized for the year	<u>148,425</u>	<u>(328,712)</u>
Balance at December 31	<u>\$ (170,725)</u>	<u>\$ (319,150)</u>

2) Unrealized gain (loss) from available-for-sale financial assets

Balance at January 1, 2017	\$ <u>44,038</u>
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	82,074
Disposal of available-for-sale financial assets transferred to profit or loss	<u>(144,590)</u>
Other comprehensive income recognized during the year	<u>(62,516)</u>
Balance at December 31, 2017	(18,478)
Adjustment on initial application of IFRS 9	<u>18,478</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

3) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>(18,478)</u>
Balance at January 1 per IFRS 9	<u>(18,478)</u>
Recognized for the year	
Unrealized gain - equity instruments	<u>(5,867)</u>
Other comprehensive income recognized during the year	<u>(5,867)</u>
Balance at December 31	<u>\$ (24,345)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 11,622,619	\$ 8,505,461
Adjustment on initial application of IFRS 15	53,713	-
Share in profit for the year	1,278,286	1,442,013
Other comprehensive income (loss) for the year		
Exchange differences on translating the financial statements of foreign entities	91,104	(66,003)
Unrealized loss on available-for-sale financial assets	-	(182)
Unrealized loss on financial assets at FVTOCI	(26,326)	-
Remeasurement on defined benefit plans	(12,632)	(10,307)
Donations from shareholders	55	70
Cash dividends to shareholders from subsidiaries	(1,037,884)	(893,149)
The Corporation's shares held by its subsidiaries treated as treasury share	(18,915)	(90,621)
Increase in non-controlling interests	<u>124,121</u>	<u>2,735,337</u>
Balance at December 31	<u>\$ 12,074,141</u>	<u>\$ 11,622,619</u>

f. Treasury share

<b>Purpose of Buy-Back</b>	<b>Share Held by Subsidiary (In Thousands of Shares)</b>
Number of shares at January 1, 2017	-
Increase during the year	<u>1,800</u>
Number of shares at December 31, 2017	1,800
Increase during the year	<u>400</u>
Number of shares at December 31, 2018	<u><u>2,200</u></u>

The Corporation's shares held by its subsidiaries at the end of the reporting period was as follows:

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2018</u>			
Greatek Electronics Inc.	2,200	\$ 145,420	\$ 145,420
<u>December 31, 2017</u>			
Greatek Electronics Inc.	1,800	\$ 158,400	\$ 158,400

The Corporation's share held by its subsidiary are treated as treasury share.

## 26. REVENUE

The Group's revenue for the years ended December 31, 2018 and 2017 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from packaging services	\$ 45,521,205	\$ 42,727,499
Revenue from testing services	22,091,275	16,620,354
Others	<u>426,899</u>	<u>284,230</u>
	<u>\$ 68,039,379</u>	<u>\$ 59,632,083</u>

a. Contract information

As the Group fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Group. The Group has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Group fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Group has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time.

b. Contract balances

	<b>December 31, 2018</b>
Notes and accounts receivable (including related parties) (Note 13)	<u>\$ 11,846,133</u>
Contract assets - current	
Revenue from services	\$ 1,671,214
Less: Allowance for impairment loss	<u>                    -</u>
Contract assets - current	<u>\$ 1,671,214</u>
Contract liabilities - current	
Revenue from services	<u>\$ 39,323</u>

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Group's performance and the customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	<b>For the Year Ended December 31, 2018</b>
From the beginning contract liabilities	
Revenue from services	<u>\$ 28,183</u>

c. Disaggregation of revenue

	<b>For the Year Ended December 31, 2018</b>
<u>Type of goods or services</u>	
Revenue from packaging services	\$ 45,521,205
Revenue from testing services	22,091,275
Others	<u>426,899</u>
	<u>\$ 68,039,379</u>
<u>Primary geographical markets</u>	
Japan	\$ 22,270,182
Singapore	14,947,281
Taiwan (The principal place of business of the Group)	13,752,607
America	13,167,078
Europe	2,052,881
China and Hong Kong	1,381,878
Others	<u>467,472</u>
	<u>\$ 68,039,379</u>

## 27. NET PROFIT

### a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value changes of financial assets and financial liabilities		
Financial assets classified as held for trading	\$ -	\$ 94,344
Financial assets mandatorily classified as at FVTPL	20,933	-
Financial liabilities classified as held for trading	(98,205)	(10,468)
Net gain on disposal of financial assets		
Available-for-sale financial assets	-	144,590
Impairment loss of non-financial assets	(437,609)	(145,938)
Others	<u>96,889</u>	<u>91,659</u>
	<u>\$ (417,992)</u>	<u>\$ 174,187</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income		
Operating lease rental income	\$ 120,112	\$ 20,922
Interest income		
Bank deposits	72,226	43,739
Financial assets measured at amortized cost	11,298	-
Held-to-maturity financial assets	-	10,832
Repurchase agreements collateralized by bonds	879	2,269
Others	346	5,651
Dividend income	-	263
Gain from bargain purchase	<u>-</u>	<u>140,000</u>
	<u>\$ 204,861</u>	<u>\$ 223,676</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on bank loans	\$ 448,034	\$ 351,632
Capitalized interest	(97,509)	(115,470)
Others	<u>-</u>	<u>98</u>
	<u>\$ 350,525</u>	<u>\$ 236,260</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Capitalized interest	\$ 97,509	\$ 115,470
Capitalization rate	1.19%-2.66%	1.12%-4.79%

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 12,510,177	\$ 10,493,833
Intangible assets	<u>144,040</u>	<u>98,252</u>
Total	<u>\$ 12,654,217</u>	<u>\$ 10,592,085</u>
An analysis of depreciation by function		
Operating costs	\$ 11,967,746	\$ 9,961,322
Operating expenses	<u>542,431</u>	<u>532,511</u>
	<u>\$ 12,510,177</u>	<u>\$ 10,493,833</u>
An analysis of amortization by function		
Operating costs	\$ 132,955	\$ 17,143
Marketing	137	66,750
General and administrative	7,979	12,500
Research and development	<u>2,969</u>	<u>1,859</u>
	<u>\$ 144,040</u>	<u>\$ 98,252</u>

e. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits (Note 24)		
Defined contribution plans	\$ 529,814	\$ 430,282
Defined benefit plans	<u>50,327</u>	<u>27,686</u>
	580,141	457,968
Other employee benefits	<u>15,358,217</u>	<u>13,633,130</u>
Total employee benefit expense	<u>\$ 15,938,358</u>	<u>\$ 14,091,098</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 13,379,685	\$ 12,080,060
Operating expenses	<u>2,558,673</u>	<u>2,011,038</u>
	<u>\$ 15,938,358</u>	<u>\$ 14,091,098</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrued employees' compensation and remuneration of directors at rates between 5% and 7.5% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated deficits (including adjustment of unappropriated earnings), the Corporation should retain the net profit in advance for deducting accumulated deficits. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which were approved by the Corporation's board of directors on March 14, 2019 and March 16, 2018, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Employees' compensation	5.37%	5.39%
Remuneration of directors	1.07%	1.08%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 420,813	\$ 394,825
Remuneration of directors	84,163	78,965

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Share Exchange.

g. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Foreign exchange gains	\$ 991,709	\$ 474,358
Foreign exchange losses	<u>(776,370)</u>	<u>(931,499)</u>
	<u>\$ 215,339</u>	<u>\$ 457,141</u>

## 28. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Current tax		
In respect of the current year	\$ 1,937,697	\$ 1,254,218
Income tax on unappropriated earnings	227,862	238,828
Adjustments for prior years	<u>(44,052)</u>	<u>24,973</u>
	<u>2,121,507</u>	<u>1,518,019</u>
Deferred tax		
In respect of the current year	(207,356)	77,984
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>8,624</u>	<u>-</u>
	<u>(198,732)</u>	<u>77,984</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,922,775</u>	<u>\$ 1,596,003</u>



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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	<u>\$ 9,435,337</u>	<u>\$ 8,887,278</u>
Income tax expense calculated at the statutory rate	\$ 2,410,983	\$ 1,815,405
Nondeductible expenses in determining taxable income	(303,934)	(280,818)
Tax-exempt income	(90,421)	(143,751)
Income tax on unappropriated earnings	227,862	238,828
Generation of temporary differences	(194,367)	(58,634)
Unrecognized loss carryforwards	(112,952)	-
Adjustments to deferred tax attributable to changes in tax rates and laws	8,624	-
Adjustments for prior years' tax	(44,052)	24,973
Others	<u>21,032</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 1,922,775</u>	<u>\$ 1,596,003</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax liabilities		
Tax payable	<u>\$ 1,603,899</u>	<u>\$ 1,000,059</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were follows:

For the year ended December 31, 2018

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 172,963</u>	<u>\$ 184,866</u>	<u>\$ 357,829</u>
<u>Deferred tax liabilities</u>			
Temporary differences	<u>\$ 203,163</u>	<u>\$ (87,257)</u>	<u>\$ 115,906</u>

For the year ended December 31, 2017

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	\$ 45,817	\$ 127,146	\$ 172,963
Loss carryforwards	<u>4,918</u>	<u>(4,918)</u>	<u>-</u>
	<u>\$ 50,735</u>	<u>\$ 122,228</u>	<u>\$ 172,963</u>
<u>Deferred tax liabilities</u>			
Temporary differences	<u>\$ 2,951</u>	<u>\$ 200,212</u>	<u>\$ 203,163</u>

- d. Items for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Loss carryforwards		
Expiry in 2019	\$ 24,764	\$ 25,357
Expiry in 2010	26,057	26,682
Expiry in 2011	<u>30,799</u>	<u>31,537</u>
	<u>\$ 81,620</u>	<u>\$ 83,576</u>
Deductible temporary differences	<u>\$ 26,504</u>	<u>\$ 167,903</u>

- e. Income tax assessments

Income tax returns through 2015 have been assessed by the tax authorities.

## 29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 8.02</u>	<u>\$ 7.51</u>
Diluted earnings per share	<u>\$ 7.95</u>	<u>\$ 7.46</u>

The earnings and weighted average number of common shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Net profit attributable to the owner of the Corporation	\$ 6,234,276	\$ 5,849,262
Effect of potentially dilutive common share:		
Employees' compensation	<u>                  -</u>	<u>                  -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 6,234,276</u>	<u>\$ 5,849,262</u>

Weighted average number of common shares outstanding (in thousands of shares):

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of common shares used in the computation of basic earnings per share	776,846	778,394
Effect of potentially dilutive common share:		
Employees' compensation	<u>      7,222</u>	<u>      5,011</u>
Weighted average number of common shares used in the computation of dilutive earnings per share	<u>      784,068</u>	<u>      783,405</u>

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

### 30. BUSINESS COMBINATIONS

In order to develop business in Japan, the subsidiary of Powertech Technology Inc. (Powertech Technology Japan Ltd.) signed the Share Purchase Agreement and related contracts with Micron Technology Inc. and Micron Memory Japan Inc. The main content of the agreement was as follows:

#### The acquisition of the shares of Tera Probe, Inc. by means of tender offer

Powertech Technology Japan Ltd. intends to acquire 39.6% of the shares of Tera Probe, Inc. owned by Micron Memory Japan Inc. and any shares to be tendered from other shareholders by public tender offer from April 17, 2017 to May 29, 2017. The tender offer price is JPY 1,100 per share.

If the shares to be tendered do not reach the minimum number of shares acquired (3,680 thousand shares), Powertech Technology Japan Ltd. will not acquire any shares of Tera Probe, Inc.

#### Purchase 100% of the shares of Micron Akita, Inc.

Powertech Technology Japan Ltd. intends to purchase all of the total outstanding shares of Micron Akita, Inc. at closing date from Micron Memory Japan Inc. in the total consideration no more than US\$50 million and will sign the related assembly and test services agreement.

If the shares of Tera Probe, Inc. to be tendered do not reach the minimum number of shares acquired (3,680 thousand shares), Powertech Technology Japan Ltd. will not purchase any shares of Micron Akita, Inc.

a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>
Tera Probe, Inc. and subsidiaries	Wafer probing test services	May 29, 2017	59
Powertech Technology Akita Inc.	Semiconductor assembly and testing service	August 4, 2017	100

In order to develop business in Japan, Powertech Technology Japan Ltd. acquired the shares of Tera Probe, Inc. by means of tender offer in May 2017. Refer to Note 14 for the details.

b. Considerations transferred

	<b>Tera Probe, Inc. and Subsidiaries and Powertech Technology Akita Inc.</b>
Cash	\$ 2,550,142
Shares	<u>1,757,018</u>
	<u>\$ 4,307,160</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Tera Probe, Inc. and Subsidiaries and Powertech Technology Akita Inc.</b>
Current assets	
Cash and cash equivalents	\$ 3,724,740
Financial assets at fair value through profit or loss - current	3,048
Notes and accounts receivable	1,646,844
Other receivables	257,796
Inventories	151,542
Prepaid expenses	40,393
Non-current assets held for sale	1,056,479
Other current assets	202,180
Non-current assets	
Held-to-maturity financial assets - non-current	10,943
Investments accounted for using the equity method	60,125
Property, plant and equipment	7,406,100

(Continued)

	<b>Tera Probe, Inc. and Subsidiaries and Powertech Technology Akita Inc.</b>
Intangible assets	\$ 157,085
Deferred income tax assets	38,221
Other non-current assets	204,309
Current liabilities	
Notes and accounts payable	(307,643)
Payables to equipment suppliers	(804,559)
Current income tax liabilities	(144,912)
Accrued expenses and other current liabilities	(2,587,130)
Current portion of long-term debt	(105,264)
Finance lease payables - current	(160,803)
Non-current liabilities	
Long-term debts	(3,322,670)
Deferred tax liabilities	(72,667)
Finance lease payables - non-current	(249,919)
Net defined benefit liabilities - non-current	(131,285)
Other non-current liabilities	<u>(80,149)</u>
	<u>\$ 6,992,804</u>
	(Concluded)

d. Net cash inflow on acquisition of subsidiaries

	<b>Powertech Technology Akita Inc.</b>	<b>Tera Probe, Inc. and subsidiaries</b>
Consideration paid in cash	\$ (1,216,720)	\$ (1,333,422)
Less: Cash and cash equivalent balances acquired	<u>513,754</u>	<u>3,210,986</u>
	<u>\$ (702,966)</u>	<u>\$ 1,877,564</u>

e. Impact of acquisitions on the results of the Group

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$63,711,459 thousand, and the profit from continuing operations would have been \$7,250,330 thousand for the year ended December 31, 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

### 31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Corporation leases a plant and land from TeraPower Technology Inc. and Tang Eng Iron Works Co., Ltd. under a renewable agreement that expires before December 2023.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 16,697	\$ 16,697
Over 1 year and up to 5 years	66,788	66,788
Later than 5 years	<u>-</u>	<u>16,697</u>
	<u>\$ 83,485</u>	<u>\$ 100,182</u>

The lease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Minimum lease payments	<u>\$ 16,697</u>	<u>\$ 21,697</u>

Powertech Technology (Singapore) Pte. Ltd. leased equipment and office space from IBM and CAMBRIDGE INDUSTRIAL TRUST under a renewable agreement which expires in May 2021.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 45,155	\$ 43,644
Over 1 year and up to 5 years	<u>63,544</u>	<u>107,815</u>
	<u>\$ 108,699</u>	<u>\$ 151,459</u>

The lease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Minimum lease payments	<u>\$ 43,921</u>	<u>\$ 42,820</u>

Tera Probe, Inc. leased equipment and office space from Micron Memory Japan, Inc. , Advantest Finance Inc. , Aizu Fujitsu Semiconductor Limited and Hitachi Capital Corporation, etc. under renewable agreements which expires before May 2019.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 201,448	\$ 80,126
Over 1 year up to 5 years	<u>-</u>	<u>1,695</u>
	<u>\$ 201,448</u>	<u>\$ 81,821</u>

The lease payments recognized as expenses were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Minimum lease payments	<u>\$ 190,075</u>	<u>\$ 69,324</u>

### 32. CAPITAL MANAGEMENT

The Group manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

### 33. FINANCIAL INSTRUMENTS

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

##### December 31, 2018

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,151,536	\$ -	\$ 1,156,991	\$ -	\$ 1,156,991

##### December 31, 2017

	<b>Carrying Amount</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets</u>					
Held-to-maturity investments	\$ 1,153,305	\$ -	\$ 1,158,787	\$ -	\$ 1,158,787

The above-mentioned level 2 fair value measurement was based on the quoted price from the Taipei Exchange.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,376	\$ -	\$ -	\$ 50,376
Derivative instruments	<u>-</u>	<u>5,841</u>	<u>-</u>	<u>5,841</u>
	<u>\$ 50,376</u>	<u>\$ 5,841</u>	<u>\$ -</u>	<u>\$ 56,217</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,303</u>	<u>\$ 24,500</u>	<u>\$ -</u>	<u>\$ 26,803</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,223</u>	<u>\$ -</u>	<u>\$ 2,223</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 50,162	\$ -	\$ -	\$ 50,162
Derivative instruments	<u>-</u>	<u>8,799</u>	<u>-</u>	<u>8,799</u>
	<u>\$ 50,162</u>	<u>\$ 8,799</u>	<u>\$ -</u>	<u>\$ 58,961</u>
Available-for-sale financial assets				
Domestic listed shares and emerging market shares	<u>\$ 2,670</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 32,670</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 5,887</u>	<u>\$ -</u>	<u>\$ 5,887</u>

There were no transfers between Level 1 and 2 in the current and prior year.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted securities	Using the market approach and the binomial option pricing model to calculate the fair value.



c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 58,961
Mandatorily classified as at FVTPL	56,217	-
Held-to-maturity investments	-	1,153,305
Loans and receivables (Note 1)	-	32,086,787
Available-for-sale financial assets	-	32,670
Financial assets at amortized cost (Note 2)	33,352,629	-
Financial assets at FVTOCI		
Equity instruments	26,803	-
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	2,223	5,887
Financial liabilities at amortized cost (Note 3)	40,652,073	37,470,207

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), debt investments with no active market, and other assets.

Note 2: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (including related parties), other receivables (including related parties), pledged time deposits and refundable deposits.

Note 3: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (including related parties), other payables (including related parties), accrued expenses and other current liabilities and long-term debt.

d. Financial risk management objectives and policies

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

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the Group's board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments (included forward exchange contracts) to manage its exposure to foreign currency risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge against the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge against currency exposure taking into consideration the hedging cost and period. The Group currently utilizes derivative financial instruments, including buy/sell foreign exchange forward contracts, to hedge against foreign currency exchange risk.

For the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, refer to Note 38.

The Group uses forward exchange contracts to reduce foreign currency risk exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, short-term bank loans and long-term debt. The number below indicates the decrease/increase in pre-tax profit when the functional currency strengthens 5% against the relevant currency.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>	<b>For the Year Ended December 31</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Profit or loss	\$ (408,898)	\$ (393,682)	\$ 18,485	\$ 47,957

b) Interest rate risk

As the Group owns assets at both fixed and floating interest rates, the Group is exposed to interest rate risk. The Group's interest rate risk also comes from borrowings at floating interest rates. Since the Group's bank borrowings are at floating interest rates, fluctuations in interest rates will affect cash flow in the future but will not affect the fair value.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Fair value interest rate risk		
Financial assets	\$ 9,445,057	\$ 8,426,152
Financial liabilities	1,049,454	1,120,174
Cash flow interest rate risk		
Financial assets	10,536,721	10,924,347
Financial liabilities	31,322,908	30,180,795

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rate risk for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended December 31, 2018 and 2017 would decrease/increase by \$20,786 thousand and \$19,256 thousand, respectively, which was mainly attributable to the Group's exposure to interest rate risk on its variable-rate net liabilities.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments in the electronics industry sector quoted in the Tokyo Share Exchange and the Taipei Exchange.

Sensitivity analysis

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

If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by \$2,519 thousand as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2018 would have increased/decreased by \$1,340 thousand as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2017 would have increased/decreased by \$2,508 thousand as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2017 would have increased/decreased by \$1,634 thousand as a result of the changes in fair value of available-for-sale financial assets.

## 2) Credit risk

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

In order to minimize credit risk, the management of the Group has set up an approach for credit and accounts receivable management to ensure that follow-up action is taken to recover overdue debt. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Corporation consider that the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk was related to the three largest customers within the Group. Besides the aforementioned customers, there was no other customer that accounted for 10% of total gross accounts receivable at any time during the years 2018 and 2017. The three largest customers are creditworthy counterparties; therefore, the Corporation believes the concentration of credit risk is insignificant.

### Credit risk management for investments in debt instruments - 2018

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses</b>	<b>Expected Loss Rate</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	-

### 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities of approximately \$6,578,487 thousand and \$4,832,761 thousand, respectively.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 3,437,665	\$ 3,947,536	\$ 1,188,943	\$ -	\$ -
Fixed interest rate liabilities	-	136,277	276,458	636,719	-
Variable interest rate liabilities	-	<u>707,330</u>	<u>216,519</u>	<u>26,601,190</u>	<u>3,797,869</u>
	<u>\$ 3,437,665</u>	<u>\$ 4,791,143</u>	<u>\$ 1,681,920</u>	<u>\$27,237,909</u>	<u>\$ 3,797,869</u>

#### December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 2,881,251	\$ 2,266,830	\$ 1,327,396	\$ -	\$ -
Fixed interest rate liabilities	-	546,916	209,927	363,331	-
Variable interest rate liabilities	<u>572,884</u>	<u>626,998</u>	<u>2,139,901</u>	<u>24,504,613</u>	<u>2,336,399</u>
	<u>\$ 3,454,135</u>	<u>\$ 3,440,744</u>	<u>\$ 3,677,224</u>	<u>\$24,867,944</u>	<u>\$ 2,336,399</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,656,354	\$ 409,507	\$ 88,180
Outflows	<u>(1,655,351)</u>	<u>(408,106)</u>	<u>(86,966)</u>
	<u>\$ 1,003</u>	<u>\$ 1,401</u>	<u>\$ (1,214)</u>

December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,336,640	\$ 750,257	\$ 93,692
Outflows	<u>(1,333,880)</u>	<u>(749,509)</u>	<u>(94,288)</u>
	<u>\$ 2,760</u>	<u>\$ 748</u>	<u>\$ (596)</u>

c) Financing facilities

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Secured bank loan facilities which may be mutually extended:		
Amount used	\$ 13,534,928	\$ 11,396,343
Amount unused	<u>-</u>	<u>966,000</u>
	<u>\$ 13,534,928</u>	<u>\$ 12,362,343</u>

### 34. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which were related parties of the Corporation, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related Party Name and Relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Toshiba Corporation	Substantial related parties
Toshiba Memory Corporation	Substantial related parties
Toshiba International Procurement Hong Kong, Ltd.	Substantial related parties
Toshiba Information Systems (Japan) Corporation	Substantial related parties
Kingston Technology International Ltd.	Substantial related parties
Kingston Digital International Ltd.	Substantial related parties
Kingston Solution, Inc.	Substantial related parties
Kingston Technology Far East Corp.	Substantial related parties
Realtek Singapore Private Limited	Substantial related parties
Realtek Semiconductor corp.	Substantial related parties
Weltrend Semiconductor, Inc. (No longer the related party of the Group since May 29, 2018.)	Substantial related parties
TeraPower Technology Inc.	Associate (Subsidiary of the Group since May 29, 2017.)

b. Sales of goods

Line Item	Related Party Category / Name	<u>For the Year Ended December 31</u>	
		2018	2017
Sales of goods	Substantial related parties		
	Toshiba Memory Corporation	\$ 14,821,258	\$ 9,430,229
	Other	<u>2,196,783</u>	<u>5,532,535</u>
		17,018,041	14,962,764
	Associates	<u>-</u>	<u>9,909</u>
		<u>\$ 17,018,041</u>	<u>\$ 14,972,673</u>

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment terms for the sales of the Group is from 30 days to 150 days starting from the first day of the month following the invoice date.

c. Purchases

Related Party Category	<u>For the Year Ended December 31</u>	
	2018	2017
Substantial related parties	<u>\$ 31,724</u>	<u>\$ 18</u>

The purchase prices and payment terms were based on negotiations and thus not comparable with those in the market.

d. Operating expenses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantial related parties	\$ 273	\$ -
Associates	<u>-</u>	<u>1,828</u>
	<u>\$ 273</u>	<u>\$ 1,828</u>

The rentals with related parties were based on cooperation agreements and were thus not comparable with those in the market.

e. Miscellaneous income

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantial related parties	<u>\$ 120</u>	<u>\$ -</u>

The rentals with related parties were based on cooperation agreements and were thus not comparable with those in the market.

f. Other gains and losses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantial related parties	\$ 10	\$ 5,152
Associates	<u>-</u>	<u>168</u>
	<u>\$ 10</u>	<u>\$ 5,320</u>

Mainly includes the remuneration of directors, administration support revenue, difference from collections and payment transfers. The administration support revenue with related parties were based on negotiations and were thus not comparable with those in the market.

g. Contract assets

<b>Related Party Category / Name</b>	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantial related parties		
Toshiba Memory Corporation	\$ 511,952	\$ -
Other	<u>64,763</u>	<u>-</u>
	<u>\$ 576,715</u>	<u>\$ -</u>

For the year ended December 31, 2018, no impairment loss was recognized for contract assets from related parties.



- h. Accounts receivable from related parties (excluding loans to related parties and contract assets)

Line Item	Related Party Category / Name	December 31	
		2018	2017
Accounts receivable from related parties	Substantial related parties		
	Toshiba Memory Corporation	\$ 2,451,389	\$ 3,578,364
	Others	<u>427,919</u>	<u>451,142</u>
		<u>\$ 2,879,308</u>	<u>\$ 4,029,506</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for accounts receivable from related parties.

- i. Acquisition of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31	
	2018	2017
Substantial related parties	<u>\$ 1,102</u>	<u>\$ -</u>

The transactions of property, plant and equipment with related parties were based on negotiations of cooperation agreements for which there were no comparable terms under the agreements.

- j. Other receivables from related parties

Related Party Category / Name	December 31	
	2018	2017
Substantial related parties		
Toshiba Memory Corporation	\$ 15,773	\$ 5,536
Kingston Solution, Inc.	58	2,340
Realtek Semiconductor Corp.	-	1,310
Other	<u>250</u>	<u>-</u>
	<u>\$ 16,081</u>	<u>\$ 9,186</u>

- k. Other payables from related parties

Related Party Category	December 31	
	2018	2017
Substantial related parties	<u>\$ 569</u>	<u>\$ -</u>

- l. Payable expenses and other current liabilities

Related Party Category	December 31	
	2018	2017
Substantial related parties	<u>\$ 7,301</u>	<u>\$ -</u>

m. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term benefits	\$ 366,469	\$ 350,955
Post-employment benefits	<u>1,836</u>	<u>1,836</u>
	<u>\$ 368,305</u>	<u>\$ 352,791</u>

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

### 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral mainly for long-term debt, guarantee deposits for exports, L/C, guarantees for settlement and bonded inventories.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 19,333,168	\$ 16,839,881
Pledged deposits (classified as financial assets at amortized cost - current)	21,763	-
Restricted deposits (classified as financial assets at amortized cost - current)	318,534	-
Pledged deposits (classified as financial assets at amortized cost – non-current)	96,815	-
Pledged deposits (classified as debt investments with no active market - non-current)	-	546,703
Pledged deposits (classified as other assets - current)	<u>-</u>	<u>319,755</u>
	<u>\$ 19,770,280</u>	<u>\$ 17,706,339</u>

### 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's significant commitments and contingencies as of December 31, 2018 were as follows:

- a. The Corporation and MTI signed the TCC License Agreement with Tessera Inc. on February 27, 2014. After a series of compromises and negotiations during the settlement process, and consulting with attorneys, the settlement amount is proposed to be USD196,000 thousand, payable over 5 years in consideration of early termination of the License Agreement as of December 31, 2012, and the litigation will be dismissed by the parties upon the settlement. The Corporation and MTI recognized a settlement loss for the year ended December 31, 2013. As of the end of December 31, 2017, the Corporation had made the payment in full.
- b. In order to develop business in Japan, the subsidiary of Powertech Technology Inc. (Powertech Technology Japan Ltd.) had signed the Share Purchase Agreement and related contracts with Micron Technology Inc. and Micron Memory Japan Inc. that had been approved in the board of directors meeting on April 14, 2017. Powertech Technology Japan Ltd. intends to purchase all of the outstanding shares of Micron Akita, Inc. at the closing date from Micron Memory Japan Inc. in the total consideration not exceeding USD50,000 thousand, and at the same time sign the related assembly and test services agreement.

- c. From September 2017 to September 2018, the Corporation signed contracts worth \$1,811,372 thousand with Jian Ming Contractor Co., Ltd. for the purchase of machinery and equipment. As of December 31, 2018, the Corporation has paid a total of \$76,752 thousand.
- d. From April 2018 to September 2018, the Corporation signed contracts worth \$992,100 thousand with Jiu Han Engineering Co., Ltd. to set up utilities. As of December 31, 2018, the Corporation had made the payment in full.
- e. From September 2017 to June 2018, the Corporation signed the purchase agreements of equipment worth \$2,254,499 thousand with Advantest Corporation. As of December 31, 2018, the Corporation has paid a total of \$2,135,145 thousand.
- f. From August 2017 to August 2018, TeraPower Technology Inc. signed the purchase agreements of equipment worth \$1,048,169 thousand with K-Shine Electronic Corporation. As of December 31, 2018, TeraPower Technology Inc had made the payment in full.
- g. From October 2017 to October 2018, TeraPower Technology Inc. signed the purchase agreements of equipment worth \$540,966 thousand with Accretech Taiwan Co., Ltd. As of December 31, 2018, TeraPower Technology Inc. has paid a total of \$226,352 thousand.
- h. The unused credit amounts were as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
USD	\$ <u>          -</u>	\$ <u>      268</u>
JPY	\$ <u>  483,640</u>	\$ <u> 2,735,979</u>

### 37. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<u>December 31, 2018</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 381,991	30.733 (USD:NTD)	\$ 11,739,729
USD	7,530	6.8658 (USD:RMB)	231,419
USD	24,290	110.4 (USD:JPY)	746,505
JPY	1,018,342	0.2784 (JPY:NTD)	283,506
JPY	2,197	0.0622 (JPY:RMB)	612
JPY	1,662,052	0.0091 (JPY:USD)	462,715
SGD	3,379	0.7316 (SGD:USD)	75,978
RMB	14,023	0.1456 (RMB:USD)	62,770
RMB	4,517	4.4762 (RMB:NTD)	20,219
EUR	40	35.2031 (EUR:NTD)	<u>1,408</u>
			<u>\$ 13,624,861</u>

(Continued)

				<b>December 31, 2018</b>		
				<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Non-monetary items						
	USD	\$	101	30.733 (USD:NTD)	\$	3,116
	JPY		9,787	0.2784 (JPY:NTD)		<u>2,725</u>
						<u>\$ 5,841</u>
<u>Financial liabilities</u>						
Monetary items						
	USD		110,319	30.733 (USD:NTD)	\$	3,390,434
	USD		18,638	6.8658 (USD:RMB)		572,802
	USD		18,757	110.4 (USD:JPY)		576,459
	EUR		1,245	35.2031 (EUR:NTD)		43,828
	JPY		2,459,309	0.2784 (JPY:NTD)		684,672
	JPY		27,248	0.0622 (JPY:RMB)		7,586
	JPY		1,523,956	0.0091 (JPY:USD)		424,269
	RMB		36,914	0.1456 (RMB:USD)		165,234
	SGD		1,944	0.7316 (SGD:USD)		<u>43,712</u>
						<u>\$ 5,908,996</u>
Non-monetary items						
	USD		34	30.733 (USD:NTD)	\$	1,047
	JPY		3,999	0.2784 (JPY:NTD)		1,113
	RMB		14	4.4762 (RMB:NTD)		<u>63</u>
						<u>\$ 2,223</u>
(Concluded)						

				<b>December 31, 2017</b>		
				<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>						
Monetary items						
	USD	\$	396,095	29.848 (USD:NTD)	\$	11,822,644
	USD		4,596	6.512 (USD:RMB)		137,181
	USD		4,811	112.66 (USD:JPY)		143,599
	JPY		193,074	0.2649 (JPY:NTD)		51,145
	JPY		2,749	0.0578 (JPY:RMB)		728
	JPY		755,082	0.0089 (JPY:USD)		200,021
	SGD		3,135	0.7479 (SGD:USD)		69,985
	SGD		72	22.324 (SGD:NTD)		1,607
	RMB		27,122	0.1536 (RMB:USD)		124,327
	RMB		22,785	4.5840 (RMB:NTD)		<u>104,446</u>
						<u>\$ 12,655,683</u>
(Continued)						

	<b>December 31, 2017</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<b>Non-monetary items</b>			
USD	\$ 153	29.848 (USD:NTD)	\$ 4,575
JPY	2,893	0.2649 (JPY:NTD)	<u>766</u>
			<u>\$ 5,341</u>
<b><u>Financial liabilities</u></b>			
<b>Monetary items</b>			
USD	153,986	29.848 (USD:NTD)	\$ 4,596,174
USD	18,888	6.512 (USD:RMB)	563,769
USD	1,001	112.66 (USD:JPY)	29,878
EUR	1,260	35.67 (EUR:NTD)	44,950
JPY	3,564,088	0.2649 (JPY:NTD)	944,127
JPY	37,278	0.0578 (JPY:RMB)	9,875
JPY	970,330	0.0089 (JPY:USD)	257,040
RMB	17,823	0.1536 (RMB:USD)	81,701
RMB	9,322	4.5840 (RMB:NTD)	42,732
SGD	2,073	22.324 (SGD:NTD)	46,277
NTD	1,546	0.0335 (NTD:USD)	<u>1,546</u>
			<u>\$ 6,618,069</u>
<b>Non-monetary items</b>			
USD	2	29.848 (USD:NTD)	\$ 45
JPY	57,611	0.2649 (JPY:NTD)	<u>15,261</u>
			<u>\$ 15,306</u>
			(Concluded)

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$215,339 thousand and \$(457,141) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Corporation.

### 38. SEPARATELY DISCLOSED ITEMS

Except for the following, the Group has no other significant transactions, investees and investments in mainland China that need to be disclosed as required by the Securities and Futures Bureau.

- a. Financing provided to others: Table 1 (attached)
- b. Endorsements/guarantees provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired or disposed of at costs or prices amounting to at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached).

- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- i. Derivative transactions: Note 7.
- j. Information of intercompany relationships and significant intercompany transactions: Table 8 (attached).
- k. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 9 (attached)
- l. Information on investments in mainland China: Table 10 (attached)

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investments at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area: Note 39 (j).

### 39. SEGMENT INFORMATION

- a. The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2018 and 2017 are shown in the consolidated income statements for the years ended December 31, 2018 and 2017. The segment assets as of December 31, 2018 and 2017 are shown in the consolidated balance sheets as of December 31, 2018 and 2017.
- b. Revenue from major products and services

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from packaging services	\$ 45,521,205	\$ 42,727,499
Revenue from testing services	22,091,275	16,620,354
Others	<u>426,899</u>	<u>284,230</u>
	<u>\$ 68,039,379</u>	<u>\$ 59,632,083</u>

c. Geographical information

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

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Japan	\$ 22,270,182	\$ 20,422,543	\$ 4,039,712	\$ 2,405,181
Singapore	14,947,281	12,857,749	850,875	487,541
Taiwan	13,752,607	12,170,505	55,173,147	53,402,111
America	13,167,078	10,618,829	-	-
Europe	2,052,881	1,842,106	-	-
China and Hong Kong	1,381,878	1,404,213	3,079,323	3,617,837
Others	467,472	316,138	-	-
	<u>\$ 68,039,379</u>	<u>\$ 59,632,083</u>	<u>\$ 63,143,057</u>	<u>\$ 59,912,670</u>

Non-current assets exclude long-term equity investments accounted for using the equity method, financial instruments, deferred tax assets, and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross sales:

<b>Customer</b>	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
A	\$ 18,482,277	27	\$ 17,981,516	30
B	14,923,812	22	12,226,172	21
C	8,673,567	13	6,647,619	11

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limits (Notes 3 and 4)	Note
													Item	Value			
0	Powertech Technology Inc.	Powertech Technology (Singapore) Pte Ltd.	Other receivable	Note 1	\$ 921,990	\$ 921,990	\$ 645,393	2.2%	For short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 2,050,161	\$ 4,100,323	-
			Other receivable	Note 2	737,592	737,592	630,027	2.2%	For short-term financing	-	Working capital	-	-	-	2,050,161	4,100,323	-
1	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivable	Note 1	194,880	189,312	183,744	1%	For short-term financing	-	Working capital	-	-	-	299,405	598,811	-

Note 1: Direct investments, the Corporation's wholly-owned subsidiaries.

Note 2: Indirect investments, the Corporation's wholly-owned subsidiaries.

Note 3: The amount of financing provided by PTI to any individual shall not exceed five percent of PTI's net worth. The aggregate amount of financing available shall not exceed ten percent of PTI's net worth.

Note 4: The amount of financing provided by Tera Probe, Inc. to any individual shall not exceed five percent of Tera Probe, Inc.'s net worth. The aggregate amount of financing available shall not exceed ten percent of Tera Probe, Inc.'s net worth.



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)

Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement /Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement /Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement /Guarantee Given on Behalf of Companies in Mainland China	Note
	Name	Relationship											
Powertech Technology Inc.	Powertech Technology (Singapore) Pte. Ltd.	Note 1	\$ 4,100,323	\$ 921,990	\$ 921,990	\$ 76,833	\$ -	2.25%	\$ 20,501,613	Yes	-	-	-
	Powertech Technology (Suzhou) Ltd.	Note 2	4,100,323	614,660	614,660	30,733	-	1.50%	20,501,613	Yes	-	Yes	-

Note 1: Direct investments, the Corporation's wholly-owned subsidiaries.

Note 2: Indirect investments, the Corporation's wholly-owned subsidiaries.

Note 3: The amount of guarantees provided by PTI to any individual entity shall not exceed ten percent of PTI's net worth. The aggregate amount of guarantees available shall not exceed fifty percent of PTI's net worth.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Powertech Technology Inc.	<u>Share</u> Solid state system Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,617	\$ 26,803	3	\$ 26,803	Note 3
Greatek Electronics Inc.	<u>Fund</u> FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	283	50,376	-	50,376	Note 4
	<u>Bond</u> 01 TSMC 1B	-	Financial assets at amortized cost. - current	10	100,015	-	100,020	Note 2
	P04 Hon Hai 4C	-	Financial assets at amortized cost. - current	100	100,000	-	100,376	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost. - non-current	300	300,001	-	303,280	Note 2
	P07 Taipower 1A	-	Financial assets at amortized cost. - non-current	200	200,001	-	199,999	Note 2
	02 Taipower 1B	-	Financial assets at amortized cost. - non-current	150	151,518	-	151,503	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost. - non-current	100	100,001	-	100,052	Note 2
	P04 FENC 4	-	Financial assets at amortized cost. - non-current	100	100,000	-	100,922	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost. - non-current	100	100,000	-	100,839	Note 2
	<u>Share</u> POWERTECH TECHNOLOGY INC.	Greatek Electronics Inc.'s parent company	Financial assets at fair value through other comprehensive income - non-current	2,200	145,420	-	145,420	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - non-current	600	-	3	-	Note 5
	Terawins Inc.	-	Financial assets at fair value through profit or loss - non-current	643	-	2	-	Note 5
	Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	93	-	1	-	Note 5

Note 1: The fair value was based on the closing price of the share as of December 31, 2018.

Note 2: The fair value was based on the closing price in the share market at the end of the month in hundreds of new Taiwan dollars as of December 31, 2018.

Note 3: The fair value of common share was based on the closing price in the share market at the end of the month, and the fair value of privately placed shares as of December 31, 2018 was determined using valuation techniques.

Note 4: The fair value was based on the net asset value of the fund as of December 31, 2018.

Note 5: The fair value was based on the carrying value as of December 31, 2018.

Note 6: As of December 31, 2018, the above marketable securities had not been pledged or mortgaged.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note)		Acquisition		Disposal				Ending Balance (Note)	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Greatek Electronics Inc.	Bond Taiwan Power Company	Financial assets at amortized cost	-	-	750	\$ 752,745	200	\$ 200,001	200	\$ 200,000	\$ 200,000	\$ -	750	\$ 751,521

Note: Beginning balance and ending balance include premium value.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Powertech Technology Inc.	Buildings	2017.09.18- 2018.09.07	\$ 1,811,372	\$ 76,752	Jian Ming Contractor Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Mutual agreement	Plant expansion	None
	Buildings	2018.04.20- 2018.09.25	992,100	992,100	Jiu Han Engineering Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Mutual agreement	Plant expansion	None

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Powertech Technology Inc.	Toshiba Memory Corporation Kingston Technology International Ltd.	Corporate director's parent company The president and the vice president are the corporate director of the Corporation.	Sale	\$14,650,443	35	Note 1	\$ -	-	\$ 2,428,947	42	-
			Sale	850,059	2	Note 1	-	-	143,561	2	-
			Sale	102,200	-	Note 1	-	-	-	-	-
Greatek Electronics Inc.	Toshiba International Procurement Hong Kong, Ltd. Realtek Semiconductor Corp.	Corporate director's sister company. Parent company of Greatek Electronics Inc.'s corporate supervisor.	Sale	882,699	7	Net 60 days from monthly closing dates	Note 2	-	227,774	8	-
			Sale	196,587	2	Net 60 days from monthly closing dates	Note 2	-	39,846	1	-
TeraPower Technology Inc.	Realtek Singapore Private Limited	Same parent company as the Corporate's director.	Sale	170,816	5	Net 90 days from monthly closing dates	-	-	22,443	3	-

Note 1: Mainly paid on the 30th to 90th days after the month of the invoice date.

Note 2: The prices of goods Greatek Electronics Inc. sold to related parties were determined based on general transactions.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Powertech Technology Inc.	Toshiba Memory Corporation	Corporate director's parent company	\$ 2,428,947	4.90	\$ -	-	\$ 2,428,947	\$ -
	Kingston Technology International Ltd.	The president and the vice president are the corporate director of the Corporation.	143,561	7.59	-	-	143,561	-
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor	227,774	3.53	-	-	136,305	-

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION OF INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Flow	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
			Financial Statements Items	Amount	Terms	
Powertech Technology Inc.	Powertech Technology (Suzhou) Ltd.	1	Sales	\$ 36,689	Note 3	-
	TeraPower Technology Inc.	1	Sales	22,364	Note 3	-
	Powertech Technology Akita Inc.	1	Sales	27	Note 3	-
	Greatek Electronics Inc.	1	Sales	14	Note 3	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Sales	111	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Purchase	3,500	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Subcontracting costs	673,230	Note 2	1%
	Greatek Electronics Inc.	1	Subcontracting costs	72,353	Note 2	-
	TeraPower Technology Inc.	1	Subcontracting costs	21,937	Note 2	-
	Tera Probe, Inc.	1	Rent	22,828	Note 2	-
	Tera Probe, Inc.	1	Freight	2,354	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other gains and losses	2,194	Note 2	-
	Greatek Electronics Inc.	1	Other gains and losses	51,228	Note 2	-
	Powertech Technology Akita Inc.	1	Other gains and losses	8,497	Note 2	-
	TeraPower Technology Inc.	1	Other gains and losses	3,243	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Other gains and losses	6,670	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Interest income	9,611	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Interest income	3,853	Note 2	-
	TeraPower Technology Inc.	1	Accounts receivable from related parties	2,506	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Other receivables from related parties	224,738	Note 2	-
	Greatek Electronics Inc.	1	Other receivables from related parties	829	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other receivables from related parties	634,744	Note 2	1%
	Powertech Technology (Singapore) Pte. Ltd.	1	Other receivables from related parties	697,468	Note 2	1%
	Powertech Technology Akita Inc.	1	Other receivables from related parties	1,711	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Disposal of property, plant and equipment	41,869	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Disposal of property, plant and equipment	22,278	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Disposal of property, plant and equipment	6,553	Note 2	-
	Powertech Technology Akita Inc.	1	Disposal of property, plant and equipment	588	Note 2	-
	Greatek Electronics Inc.	1	Purchase of property, plant and equipment	2,400	Note 2	-
	Tera Probe, Inc.	1	Purchase of property, plant and equipment	8,484	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Purchase of property, plant and equipment	774	Note 2	-
	TeraPower Technology Inc.	1	Other payables to related parties	670	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other payables to related parties	50,769	Note 2	-
	Greatek Electronics Inc.	1	Other payables to related parties	26,553	Note 2	-
	Powertech Technology (Japan) Ltd.	1	Other payables to related parties	8,611	Note 2	-
	Tera Probe, Inc.	1	Other payables to related parties	23,743	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Accounts payable to related parties	687	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Payables on construction and equipment	384	Note 2	-
Tera Probe, Inc.	TeraPower Technology Inc.	1	Other receivables from related parties	3,615	Note 2	-
Powertech Technology (Singapore) Pte. Ltd.	Greatek Electronics Inc.	2	Sales	85,105	Note 4	-
	Greatek Electronics Inc.	2	Accounts receivable from related parties	7,293	Note 4	-

(Continued)

Note 1: No. 1 - from the parent company to the subsidiary. No. 2 - from the subsidiary to the subsidiary.

Note 2: The transactions for related parties were based on negotiations and thus not comparable with those in the market.

Note 3: The selling prices with subsidiaries were based on negotiations and thus not comparable with those in the market, and the collection period with subsidiaries was same as other customers.

Note 4: The selling prices with sister companies were based on negotiations and thus not comparable with those in the market, and the collection period with sister companies was same as other customers.

(Concluded)



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	\$ 1,153,964	\$ 859,950	73,386	49	\$ 2,235,826	\$ 484,307	\$ 329,984	Notes 1 and 2
	Powertech Holding (BVI) Inc.	BVI	Investment business	1,679,370	1,679,370	50	100	784,877	(25,017)	(25,017)	Notes 1 and 2
	Greatek Electronics Inc.	Miaoli	Semiconductor assembly and testing service	6,169,948	6,169,948	244,064	43	7,952,600	2,375,453	1,002,310	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Singapore	Integrated circuit testing and assembly service	USD 85,000	USD 85,000	85,000	100	1,454,095	40,889	40,889	Notes 1 and 2
	Powertech Technology Japan Ltd.	Japan	Investment business	USD 103,052	USD 103,052	-	100	3,073,817	(281,748)	(261,596)	Note 1
Powertech Holding (BVI) Inc.	Tera Probe, Inc.	Japan	Wafer probing test services	\$ 230,616	\$ 230,616	1,077	12	372,153	(214,235)	(15,836)	Note 1
	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 51,000	USD 51,000	103	100	USD 24,606	USD (884)	USD (884)	Note 1
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Japan	Wafer probing test services	USD 43,963	USD 43,963	4,440	47	USD 93,206	USD (6,812)	USD (3,259)	Note 1
	Powertech Technology Akita Inc.	Japan	Semiconductor assembly and testing service	USD 48,917	USD 48,917	6	100	USD 42,209	USD (8,234)	USD (8,234)	Note 1
Tera Probe, Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	JPY4,348,056	JPY3,223,636	76,381	51	JPY4,348,056	JPY1,773,467	JPY 904,468	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY 221,616	JPY 221,616	180	100	JPY 221,616	JPY (23,970)	JPY (23,970)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: Excluding unrealized intercompany gains (losses).

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investments from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investments	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	\$ 2,212,776 (US\$ 72,000)	Note 1	\$ 1,567,383 (US\$ 51,000)	\$ -	\$ -	\$ 1,567,383 (US\$ 51,000)	\$ (25,318) (US\$ (875))	100%	\$ (25,318) (US\$ (875))	\$ 755,959 (US\$ 24,598)	\$ -	-
Powertech Technology (Xi'an) Ltd.	Semiconductor testing and assembly services	2,151,310 (US\$ 70,000)	Note 1	2,151,310 (US\$ 70,000)	-	116,324 (US\$ 3,785)	2,034,986 (US\$ 66,215)	501,590 (US\$ 16,608)	100%	501,590 (US\$ 16,608)	2,710,627 (US\$ 88,199)	116,324 (US\$ 3,785)	-

Equity-method Investee Company	Accumulated Investments in Mainland China as of December 31, 2018 (US\$ in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (US\$ in Thousands)	Ceiling Amount on the Corporation's Investments in Mainland China
Powertech Technology (Suzhou) Ltd	US\$ 51,000	US\$ 51,000	\$24,601,936
Powertech Technology (Xi'an) Ltd	US\$ 66,215	US\$ 70,000	

Note 1: Indirect investment in a company in mainland China, made through investment in a company located in a third region.

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2018.