

**Powertech Technology Inc. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2019 and 2018 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Powertech Technology Inc.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Powertech Technology Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018 and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three-months periods then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 13 to the consolidated financial statements, we did not review the financial statements of some immaterial subsidiaries, which included in the consolidated financial statements, as of and for the three months ended March 31, 2019 and 2018, which represented total assets of 15.61% \$16,066,256 thousand and 16.52% \$16,731,684 thousand of the consolidated assets; and total liabilities of 13.20% \$6,415,578 thousand and 17.38% \$8,645,103 thousand of the consolidated liabilities. These statements also reflected these subsidiaries' comprehensive income of 7.40% \$91,173 thousand and (7.66)% \$(131,601) thousand of the consolidated comprehensive income for the three months ended March 31, 2019 and 2018, respectively. These investment amounts, as well as related information disclosed in Note 33 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Corporation and subsidiaries.

## Qualified Conclusion

Based on our reviews, except for the consolidated financial statements of subsidiaries and investees as well as related information disclosed referred to in preceding paragraph, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Corporation and subsidiaries, if those consolidated financial statements had been reviewed and any adjustments were determined to be necessary, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China

The engagement partners on the reviews resulting in this independent auditors’ review report are Yu-Feng Huang and Cheng-Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 3, 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.*

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Note 6)	\$ 20,314,559	20	\$ 18,544,142	18	\$ 19,045,729	19	Short-term bank loans (Note 18)	\$ 534,295	-	\$ 843,953	1	\$ 4,556,592	4
Financial assets at fair value through profit or loss - current (Note 7)	51,592	-	56,217	-	67,987	-	Financial liabilities at fair value through profit or loss - current (Note 7)	5,388	-	2,223	-	1,131	-
Financial assets at amortized cost - current (Notes 9 and 30)	449,587	-	548,917	-	619,978	1	Contract liabilities - current (Note 23)	65,511	-	39,323	-	123,687	-
Contract assets - current (Notes 23 and 29)	1,552,384	2	1,671,214	2	1,530,060	1	Notes and accounts payable	3,977,303	4	4,969,810	5	4,643,221	5
Notes and accounts receivable (Notes 10 and 23)	7,151,906	7	8,966,825	9	8,720,941	8	Accounts payable to related parties (Note 29)	36,623	-	-	-	15,728	-
Receivables from related parties (Notes 23 and 29)	2,785,047	3	2,879,308	3	2,721,628	3	Bonus to employees and remuneration to directors (Note 24)	1,506,215	1	959,978	1	1,530,155	2
Other receivables	507,190	1	309,115	-	213,339	-	Payables to equipment suppliers	1,691,340	2	2,443,343	2	3,164,166	3
Other receivables from related parties (Note 29)	10,452	-	16,081	-	23,742	-	Other payables - related parties (Note 29)	-	-	569	-	-	-
Inventories (Note 11)	3,528,465	3	3,822,960	4	2,787,188	3	Current income tax liabilities (Notes 4 and 25)	1,724,200	2	1,603,899	2	1,396,588	1
Prepaid expenses	179,350	-	261,915	-	314,598	-	Lease liabilities - current (Notes 3, 4, 5 and 15)	263,942	-	-	-	-	-
Non-current assets held for sale (Note 12)	-	-	-	-	1,022,014	1	Accrued expenses and other current liabilities (Notes 20 and 29)	6,234,489	6	7,224,942	7	6,655,502	7
Other current assets (Note 17)	500,368	-	812,848	1	770,525	1	Current portion of long-term debts (Notes 18 and 30)	785,059	1	361,637	-	153,758	-
							Finance lease payables-current (Notes 3, 4 and 19)	-	-	130,994	-	129,309	-
Total current assets	37,030,900	36	37,889,542	37	37,837,729	37	Total current liabilities	16,824,365	16	18,580,671	18	22,369,837	22
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	27,129	-	26,803	-	32,973	-	Long-term debt (Notes 18 and 30)	29,193,011	28	30,872,339	30	26,132,849	26
Financial assets at amortized cost - noncurrent (Notes 9 and 30)	2,052,015	2	2,041,110	2	2,184,108	2	Deferred income tax liabilities (Notes 4 and 25)	118,847	-	115,906	-	276,995	-
Property, plant and equipment (Notes 3, 14 and 30)	60,175,800	59	61,980,853	60	59,631,352	59	Lease liabilities - non-current (Notes 3, 4, 5 and 15)	1,696,888	2	-	-	-	-
Right-of-use assets (Notes 3, 4, 5 and 15)	2,043,981	2	-	-	-	-	Finance lease payables-noncurrent (Notes 3, 4 and 19)	-	-	163,439	-	147,689	-
Intangible assets (Note 16)	1,147,326	1	1,162,204	1	1,220,639	2	Net defined benefit liability - noncurrent (Notes 4 and 21)	400,215	1	404,530	1	432,339	1
Deferred income tax assets (Notes 4 and 25)	302,589	-	357,829	-	206,923	-	Other noncurrent liabilities (Note 20)	383,682	-	381,249	-	374,430	-
Other noncurrent assets (Note 17)	146,499	-	137,160	-	161,224	-	Total non-current liabilities	31,792,643	31	31,937,463	31	27,364,302	27
Total non-current assets	65,895,339	64	65,705,959	63	63,437,219	63	Total liabilities	48,617,008	47	50,518,134	49	49,734,139	49
							<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION (Note 22)</b>						
							Capital stock						
							Common stock	7,791,466	8	7,791,466	7	7,791,466	8
							Capital surplus	127,734	-	127,734	-	119,593	-
							Retained earnings						
							Legal reserve	6,422,456	6	6,422,456	6	5,837,530	5
							Special reserve	337,628	-	337,628	-	-	-
							Unappropriated earnings	27,654,658	27	26,601,327	26	26,094,958	26
							Total retained earnings	34,414,742	33	33,361,411	32	31,932,488	31
							Other equity	(187,753)	-	(195,070)	-	(322,483)	-
							Treasury stock	(82,315)	-	(82,315)	-	(68,099)	-
							Total equity attributable to shareholders of the Corporation	42,063,874	41	41,003,226	39	39,452,965	39
							<b>NON-CONTROLLING INTERESTS (Notes 13 and 22)</b>	12,245,357	12	12,074,141	12	12,087,844	12
							Total stockholders' equity	54,309,231	53	53,077,367	51	51,540,809	51
<b>TOTAL</b>	<b>\$ 102,926,239</b>	<b>100</b>	<b>\$ 103,595,501</b>	<b>100</b>	<b>\$ 101,274,948</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 102,926,239</b>	<b>100</b>	<b>\$ 103,595,501</b>	<b>100</b>	<b>\$ 101,274,948</b>	<b>100</b>

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

(With Deloitte & Touche review report dated May 3, 2019)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET SALES (Notes 23 and 29)	\$ 14,432,159	100	\$ 15,909,571	100
OPERATING COSTS (Notes 11, 24 and 29)	<u>12,089,786</u>	<u>84</u>	<u>12,660,161</u>	<u>79</u>
GROSS PROFIT	<u>2,342,373</u>	<u>16</u>	<u>3,249,410</u>	<u>21</u>
OPERATING EXPENSES (Note 24)				
Marketing	80,178	-	85,561	1
General and administrative	378,378	3	401,211	2
Research and development	433,566	3	421,014	3
Expected credit loss (Note 10)	<u>3,776</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>895,898</u>	<u>6</u>	<u>907,786</u>	<u>6</u>
OPERATING INCOME	<u>1,446,475</u>	<u>10</u>	<u>2,341,624</u>	<u>15</u>
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 24 and 29)	92,835	1	22,803	-
Miscellaneous income (Note 24)	55,023	-	28,508	-
Financial costs (Note 24)	(82,940)	-	(87,574)	-
Foreign exchange gain (loss), net (Notes 28 and 32)	<u>51,311</u>	<u>-</u>	<u>(182,371)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>116,229</u>	<u>1</u>	<u>(218,634)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	1,562,704	11	2,122,990	14
INCOME TAX EXPENSE (Notes 4 and 25)	<u>321,314</u>	<u>2</u>	<u>456,284</u>	<u>3</u>
NET INCOME	<u>1,241,390</u>	<u>9</u>	<u>1,666,706</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	8,742	-	4,106	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	<u>(18,268)</u>	<u>-</u>	<u>47,225</u>	<u>-</u>
Total other comprehensive loss	<u>\$ (9,526)</u>	<u>-</u>	<u>\$ 51,331</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,231,864</u>	<u>9</u>	<u>\$ 1,718,037</u>	<u>11</u>

(Continued)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	\$ 1,053,331	7	\$ 1,291,380	8
Non-controlling interests	<u>188,059</u>	<u>2</u>	<u>375,326</u>	<u>2</u>
	<u>\$ 1,241,390</u>	<u>9</u>	<u>\$ 1,666,706</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	\$ 1,060,648	8	\$ 1,306,525	8
Non-controlling interests	<u>171,216</u>	<u>1</u>	<u>411,512</u>	<u>3</u>
	<u>\$ 1,231,864</u>	<u>9</u>	<u>\$ 1,718,037</u>	<u>11</u>
EARNINGS PER SHARE (Note 26)				
Basic	\$ <u>1.36</u>		\$ <u>1.66</u>	
Diluted	\$ <u>1.35</u>		\$ <u>1.65</u>	

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Corporation						Other Equity		Treasury Stock	Total	Non-controlling Interest	Total Equity
	Share Capital Issued and Outstanding		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income				
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2018	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
Net income for the three months ended March 31, 2018	-	-	-	-	-	1,291,380	-	-	-	1,291,380	375,326	1,666,706
Other comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	-	14,842	303	-	15,145	36,186	51,331
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	1,291,380	14,842	303	-	1,306,525	411,512	1,718,037
BALANCE, MARCH 31, 2018	<u>779,147</u>	<u>\$ 7,791,466</u>	<u>\$ 119,593</u>	<u>\$ 5,837,530</u>	<u>\$ -</u>	<u>\$ 26,094,958</u>	<u>\$ (304,308)</u>	<u>\$ (18,175)</u>	<u>\$ (68,099)</u>	<u>\$ 39,452,965</u>	<u>\$ 12,087,844</u>	<u>\$ 51,540,809</u>
BALANCE, JANUARY 1, 2019	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
Net income for the three months ended March 31, 2019	-	-	-	-	-	1,053,331	-	-	-	1,053,331	188,059	1,241,390
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	6,991	326	-	7,317	(16,843)	(9,526)
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	1,053,331	6,991	326	-	1,060,648	171,216	1,231,864
BALANCE, MARCH 31, 2019	<u>779,147</u>	<u>\$ 7,791,466</u>	<u>\$ 127,734</u>	<u>\$ 6,422,456</u>	<u>\$ 337,628</u>	<u>\$ 27,654,658</u>	<u>\$ (163,734)</u>	<u>\$ (24,019)</u>	<u>\$ (82,315)</u>	<u>\$ 42,063,874</u>	<u>\$ 12,245,357</u>	<u>\$ 54,309,231</u>

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

(With Deloitte & Touche audit report dated May 3, 2019)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Current income before income tax	\$ 1,562,704	\$ 2,122,990
Adjustments for:		
Depreciation	3,080,382	2,971,069
Amortization	34,433	36,466
Net loss (gain) on fair value change of financial assets designated as at fair value through profit or loss	4,625	(9,026)
Financial costs	82,940	87,574
Premium amortization of financial assets at amortized cost	293	483
Interest revenue	(23,008)	(13,557)
Net gain on disposal of property, plant and equipment	(64,464)	(697)
Property, plant and equipment transfer to expenses	61	-
(Gain) loss on foreign currency exchange, net	(114,350)	103,949
Changes in operating assets and liabilities:		
Decrease in contract assets	118,830	153,011
Decrease (increase) in notes and accounts receivable	1,818,899	(361,413)
Decrease in accounts receivable from related parties	98,428	1,302,102
(Increase) decrease in other receivables	(198,340)	34,524
Decrease (increase) in other receivables from related parties	28,311	(14,556)
Decrease (increase) in inventories	294,495	(218,050)
Decrease (increase) in prepayments	82,565	(54,407)
Decrease (increase) in other current assets	312,480	(52,834)
Increase (decrease) in financial liability held for trading	3,165	(4,756)
Increase in contract liabilities	26,188	79,945
Decrease in notes and accounts payable	(989,938)	(334,049)
Increase in accounts payable to related parties	92,357	15,728
Increase in bonus to employees and remuneration of directors	546,237	561,531
Decrease in other payables to related parties	(569)	-
Decrease in accrued expenses and other current liabilities	(988,949)	(586,347)
(Decrease) increase in net defined benefit liability	(4,315)	35,844
Decrease in other accounts payable	(42,251)	(202,694)
Cash generated from operations	5,761,209	5,652,830
Interest received	23,743	13,629
Interest paid	(186,442)	(98,011)
Income tax paid	(142,832)	(54,719)
Net cash generated from operating activities	<u>5,455,678</u>	<u>5,513,729</u>

(Continued)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at amortized cost	\$ (27,993)	\$ (8,171)
Proceeds from sale of financial assets at amortized cost	116,949	10,750
Acquisition of property, plant and equipment	(2,301,427)	(4,262,536)
Disposal of property, plant and equipment	119,108	350,781
(Increase) decrease in refundable deposits	(1,601)	10,002
Increase in intangible assets	(10,114)	(3,262)
(Increase) decrease in prepayments for equipment	(6,854)	23,559
Decrease in other prepayments	3,278	661
Net cash used in investing activities	<u>(2,108,654)</u>	<u>(3,878,216)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term bank loans	(309,658)	718,108
Increase in long-term debts	4,759,685	-
Decrease in long-term debts	(6,014,292)	(865,774)
Increase in guarantee deposits	44,684	3,307
Decrease in finance lease payable	-	(29,241)
Repayment of the principal portion of lease liabilities	<u>(19,753)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,539,334)</u>	<u>(173,600)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(37,273)</u>	<u>(132,766)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,770,417	1,329,147
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>18,544,142</u>	<u>17,716,582</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 20,314,559</u>	<u>\$ 19,045,729</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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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 reported to the Board of Directors and issued on May 3, 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 Powertech Technology Inc. and its subsidiaries' (the Group) accounting policies:

- 1) IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.71%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 393,632
The future minimum lease payments of cancellable operating lease commitments on December 31, 2018	<u>1,847,294</u>
Undiscounted amounts on January 1, 2019	<u>\$ 2,240,926</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 1,663,368
Add: Finance lease liabilities on December 31, 2018	<u>294,433</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,957,801</u>

The Group as lessor

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

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

	<b>Pre-adjusted Amount as of January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Amount as of January 1, 2019</b>
Lease prepayments (classified as other assets - current)	\$ 2,566	\$ (2,566)	\$ -
Property, plant and equipment	61,980,853	(369,999)	61,610,854
Lease prepayments (classified as other assets – non-current)	63,520	(63,520)	-
Right-of-use assets	<u>-</u>	<u>2,099,453</u>	<u>2,099,453</u>
Total effect on assets	<u>\$ 62,046,939</u>	<u>\$ 1,663,368</u>	<u>\$ 63,710,307</u>
Lease liabilities - current	\$ -	\$ 259,743	\$ 259,743
Finance lease payables - current	130,994	(130,994)	-
Lease liabilities - non-current	-	1,698,058	1,698,058
Finance lease payables - non-current	<u>163,439</u>	<u>(163,439)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 294,433</u>	<u>\$ 1,663,368</u>	<u>\$ 1,957,801</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 has 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, there are no impact on assets, liabilities and equity.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (International Accounting Standards Board) (Note 1)</u>
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.

Except for the above impact, 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 POLICY

### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for 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. 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 13 and 33k for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the followings, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a) The Group as lessor

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.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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.

a) The Group as lessor

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

b) 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.

2) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs

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

Except for the followings, the critical accounting judgments and key sources of estimation uncertainty followed in these consolidated financial statements refer to the consolidated financial statements for the year ended December 31, 2018.

a. Lease terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

**6. CASH AND CASH EQUIVALENTS**

	March 31, 2019	December 31, 2018	March 31, 2018
Checking accounts and demand deposits	\$ 20,314,329	\$ 18,543,547	\$ 18,548,991
Cash on hand	230	595	738
Cash equivalent			
Repurchase agreements collateralized by bonds	<u>                    -</u>	<u>                    -</u>	<u>          496,000</u>
	<u>\$ 20,314,559</u>	<u>\$ 18,544,142</u>	<u>\$ 19,045,729</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	0%-2.60%	0%-3.10%	0%-1.92%
Repurchase agreement collateralized by bonds	-	-	0.36%

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

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 1,145	\$ 5,841	\$ 17,771
Non-derivative financial assets			
Mutual funds	<u>50,447</u>	<u>50,376</u>	<u>50,216</u>
	<u>\$ 51,592</u>	<u>\$ 56,217</u>	<u>\$ 67,987</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>\$ 5,388</u>	<u>\$ 2,223</u>	<u>\$ 1,131</u>

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

	Currency	Maturity Date	Contract Amounts (In Thousands)
<u>March 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.04.08-2019.06.13	USD 51,327
	USD to JPY	2019.04.03-2019.08.02	USD 9,246
	USD to CNY	2019.04.03-2019.04.09	USD 1,003
<u>December 31, 2018</u>			
Sell forward exchange 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>March 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2018.04.02-2018.07.02	USD 56,230
	USD to JPY	2018.04.03-2018.08.03	USD 24,363
	USD to CNY	2018.04.09	USD 1,117

The Group entered into foreign exchange forward contracts 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 by using hedge accounting.

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

### Investments in equity instruments at fair value through other comprehensive income (FVTOCI)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares			
Ordinary shares - Solid State System Co., Ltd.	<u>\$ 27,129</u>	<u>\$ 26,803</u>	<u>\$ 32,973</u>

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.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Domestic investments			
Corporate bonds - P04 Hon Hai 4C Bond	\$ 100,000	\$ 100,000	\$ -
Corporate bonds - 01 TSMC 1B Bond	-	100,015	100,426
Corporate bonds - 02 Taiwan Power Company 1A Bond	-	-	200,028
Time deposits with original maturities of more than 3 months	8,631	8,605	8,154
Pledged time deposits	21,469	21,763	12,394
Restricted deposit	<u>319,487</u>	<u>318,534</u>	<u>298,976</u>
	<u>\$ 449,587</u>	<u>\$ 548,917</u>	<u>\$ 619,978</u>
<u>Non-current</u>			
Domestic investments			
Corporate bonds - P06 Taiwan Power Company 1A Bond	\$ 300,001	\$ 300,001	\$ 300,001
Corporate bonds - P07 Taiwan Power Company 1A Bond	200,001	200,001	-
Corporate bonds - 02 Taiwan Power Company 1B Bond	151,241	151,518	152,366
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,000	100,001	100,001
Corporate bonds - P04 FENC 4 Bond	100,000	100,000	100,000
Corporate bonds - P06 FPC 1A Bond	100,000	100,000	100,000
Corporate bonds - P04 Hon Hai 4C Bond	-	-	100,000
Time deposits with original maturities of more than 3 months	1,020,598	992,774	795,180
Pledged time deposits	<u>80,174</u>	<u>96,815</u>	<u>536,560</u>
	<u>\$ 2,052,015</u>	<u>\$ 2,041,110</u>	<u>\$ 2,184,108</u>

On March 19, 2015, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$200,917 thousand (par value \$200,000 thousand), and a maturity date of May 6, 2018, at par value of \$200,000 thousand.

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 on 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% at premium value \$154,054 thousand (par value \$150,000 thousand) and a maturity date on 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% at premium value \$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% at premium value \$100,001 thousand (par value \$100,000 thousand) and maturity dates of May 19, 2021 and May 19, 2022 at par value of \$50,000 thousand, respectively.

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

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 ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.01%-2.91%, 0.001%-1.92% and 1.92% per annum as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Refer to Note 28 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Notes receivable</u>			
Notes receivable - operating	\$ 60,076	\$ 78,037	\$ 73,394
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	7,133,687	8,926,869	8,687,020
Less: Allowance for impairment loss	<u>(41,857)</u>	<u>(38,081)</u>	<u>(39,473)</u>
	<u>7,091,830</u>	<u>8,888,788</u>	<u>8,647,547</u>
	<u>\$ 7,151,906</u>	<u>\$ 8,966,825</u>	<u>\$ 8,720,941</u>

### At amortized cost

The average credit period of sales of goods was 30 days to 150 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.

#### March 31, 2019

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 6,866,012	\$ 79,299	\$ 6,316	\$ 94,057	\$ 88,003	\$ 7,133,687
Loss allowance (Lifetime ECLs)	<u>(6,068)</u>	<u>(18,514)</u>	<u>(2,801)</u>	<u>(2,621)</u>	<u>(11,853)</u>	<u>(41,857)</u>
Amortized cost	<u>\$ 6,859,944</u>	<u>\$ 60,785</u>	<u>\$ 3,515</u>	<u>\$ 91,436</u>	<u>\$ 76,150</u>	<u>\$ 7,091,830</u>

#### December 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
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>

#### March 31, 2018

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 8,637,902	\$ 30,604	\$ 6,861	\$ 5,632	\$ 6,021	\$ 8,687,020
Loss allowance (Lifetime ECL)	<u>(6,918)</u>	<u>(14,057)</u>	<u>(6,845)</u>	<u>(5,632)</u>	<u>(6,021)</u>	<u>(39,473)</u>
Amortized cost	<u>\$ 8,630,984</u>	<u>\$ 16,547</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,647,547</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 38,081	\$ 39,473
Add: Net remeasurement of loss allowance	<u>3,776</u>	<u>-</u>
Balance at March 31	<u>\$ 41,857</u>	<u>\$ 39,473</u>

## 11. INVENTORIES

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Raw materials	\$ 3,155,831	\$ 3,402,888	\$ 2,384,637
Supplies	<u>372,634</u>	<u>420,072</u>	<u>402,551</u>
	<u>\$ 3,528,465</u>	<u>\$ 3,822,960</u>	<u>\$ 2,787,188</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	<u>\$ 12,089,786</u>	<u>\$ 12,660,161</u>
Reversal of inventories	<u>\$ 56,931</u>	<u>\$ 9,912</u>
Unallocated overheads	<u>\$ 1,134,723</u>	<u>\$ 991,657</u>
Sales of scrapes	<u>\$ 20,269</u>	<u>\$ 36,083</u>

## 12. NON-CURRENT ASSETS HELD FOR SALE

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Equipment held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,014</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. The aforementioned disposal plan was completed in May 2018.

### 13. SUBSIDIARY

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

Investor	Investee	Main Business	Proportion of Ownership			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
Powertech Technology Inc.	Powertech Holding (BVI) Inc.	Investment business	100%	100%	100%	2
	Greatek Electronics Inc. ("GEI")	Semiconductor assembly and testing service	43%	43%	43%	Notes 1 and 3
	Powertech Technology (Singapore) Pte. Ltd.	Integrated circuit testing and assembly service	100%	100%	100%	Note 2
	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	36%	36%	36%	Note 2
	Powertech Technology Japan Ltd.	Investment business	100%	100%	100%	Note 2
	Tera Probe, Inc.	Wafer probing test services	12%	12%	12%	Notes 2 and 3
	TeraPower Technology Inc.	Wafer probing test services	49%	49%	49%	-
Powertech Holding (BVI) Inc.	PTI Technology (Singapore) Pte. Ltd.	Investment business	100%	100%	100%	Note 2
PTI Technology (Singapore) Pte. Ltd.	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	100%	100%	100%	Note 2
Powertech Technology (Singapore) Pte. Ltd.	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	64%	64%	64%	Note 2
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Wafer probing test services	47%	47%	47%	Notes 2 and 3
	Powertech Technology Akita Inc.	Semiconductor assembly and testing service	100%	100%	100%	Note 2
Tera Probe, Inc.	TeraPower Technology Inc.	Wafer probing test services	51%	51%	51%	-
	Tera Probe Aizu, Inc.	Wafer probing test services	100%	100%	100%	Note 2

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: It is a non-significant subsidiary, its financial statements for three months ended March 31, 2018 and 2017 have not been reviewed.

Note 3: Subsidiaries that have material non-controlling interests.

#### 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		
		March 31, 2019	December 31, 2018	March 31, 2018
Greatek Electronics Inc.	Zhunan Township, Miaoli County	57%	57%	57%
Tera Probe, Inc.	Japan	41%	41%	41%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Three Months Ended March 31		Accumulated Non-controlling Interests		
	2019	2018	March 31, 2019	December 31, 2018	March 31, 2018
Greatek Electronics Inc.	\$ 188,580	\$ 351,537	\$ 9,515,144	\$ 9,326,563	\$ 9,348,330
Tera Probe, Inc.	\$ (521)	\$ 23,789	\$ 2,730,213	\$ 2,747,578	\$ 2,804,386

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.

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Current assets	\$ 7,499,345	\$ 7,351,080	\$ 8,034,019
Non-current assets	11,449,176	11,473,480	11,060,715
Current liabilities	(2,130,128)	(2,369,720)	(2,627,487)
Non-current liabilities	<u>(244,922)</u>	<u>(235,776)</u>	<u>(217,901)</u>
Equity	<u>\$ 16,573,471</u>	<u>\$ 16,219,064</u>	<u>\$ 16,249,346</u>
Equity attributable to:			
Owners of the Corporation	\$ 7,110,878	\$ 6,958,819	\$ 6,971,811
Non-controlling interests	<u>9,462,593</u>	<u>9,260,245</u>	<u>9,277,535</u>
	<u>\$ 16,573,471</u>	<u>\$ 16,219,064</u>	<u>\$ 16,249,346</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2019</b>	<b>2018</b>
Operating revenue		<u>\$ 2,543,402</u>	<u>\$ 3,052,688</u>
Net income		\$ 339,667	\$ 625,081
Other comprehensive income		<u>14,740</u>	<u>6,660</u>
Total comprehensive income for the period		<u>\$ 354,407</u>	<u>\$ 631,741</u>
Net income attributable to:			
Owners of the Corporation		\$ 145,735	\$ 268,192
Non-controlling interests		<u>193,932</u>	<u>356,889</u>
		<u>\$ 339,667</u>	<u>\$ 625,081</u>
Total comprehensive income attributable to:			
Owners of the Corporation		\$ 152,059	\$ 271,050
Non-controlling interests		<u>202,348</u>	<u>360,691</u>
		<u>\$ 354,407</u>	<u>\$ 631,741</u>
Net cash inflow from:			
Operating activities		\$ 1,030,022	\$ 1,208,895
Investing activities		(416,704)	(810,161)
financing activities		<u>(369)</u>	<u>-</u>
Net cash inflow		<u>\$ 612,949</u>	<u>\$ 398,734</u>

Tera Probe, Inc.

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 2,931,657	\$ 3,111,580	\$ 3,162,207
Non-current assets	5,743,148	5,566,923	5,259,947
Current liabilities	(1,855,963)	(1,844,532)	(1,569,031)
Non-current liabilities	<u>(892,237)</u>	<u>(845,862)</u>	<u>(635,673)</u>
Equity	<u>\$ 5,926,605</u>	<u>\$ 5,988,109</u>	<u>\$ 6,217,450</u>
Equity attributable to:			
Owners of the Corporation	\$ 3,522,774	\$ 3,559,332	\$ 3,695,652
Non-controlling interests	<u>2,403,831</u>	<u>2,428,777</u>	<u>2,521,798</u>
	<u>\$ 5,926,605</u>	<u>\$ 5,988,109</u>	<u>\$ 6,217,450</u>

	<b>For the Three Months Ended March 31</b>	
	<u>2019</u>	<u>2018</u>
Operating revenue	<u>\$ 549,335</u>	<u>\$ 857,654</u>
Net (loss) income	\$ (19,979)	\$ 39,957
Other comprehensive (loss) income	<u>(11,887)</u>	<u>5,568</u>
Total comprehensive (loss) income for the period	<u>\$ (31,866)</u>	<u>\$ 45,525</u>
Net (loss) income attributable to:		
Owners of the Corporation	\$ (11,875)	\$ 23,750
Non-controlling interests	<u>(8,104)</u>	<u>16,207</u>
	<u>\$ (19,979)</u>	<u>\$ 39,957</u>
Total comprehensive (loss) income attributable to:		
Owners of the Corporation	\$ (18,941)	\$ 27,060
Non-controlling interests	<u>(12,925)</u>	<u>18,465</u>
	<u>\$ (31,866)</u>	<u>\$ 45,525</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 12,770	\$ 249,555
Investing activities	47,370	(356,315)
financing activities	<u>(169,714)</u>	<u>449,442</u>
Net cash (outflow) inflow	<u>\$ (109,574)</u>	<u>\$ 342,682</u>

## 14. PROPERTY, PLANT AND EQUIPMENT

March 31, 2019

Assets used by the Group

\$ 60,175,800

a. 2019

	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare parts	Total
<b>Cost</b>										
Balance at January 1, 2019	\$ 3,322,250	\$ 26,944,810	\$ 91,234,066	\$ 2,343,814	\$ 362,214	\$ 3,650,775	\$ 907,019	\$ 6,016,130	\$ 147,694	\$134,928,772
Additions	-	9,905	125,401	1,608	4,143	5,285	299,155	1,130,460	79,26	1,654,983
Disposals	-	(5,116)	(365,809)	(22,063)	-	(1,405)	(1,064)	(101)	(76,786)	(472,344)
Reclassified	-	134,377	2,181,148	83,682	54,235	14,679	(369,840)	(2,834,264)	-	(735,983)
Effects of foreign currency exchange differences	33	45,791	70,746	13,484	644	899	1,174	(1,492)	49	134,319
Balance at March 31, 2019	<u>3,322,283</u>	<u>27,129,767</u>	<u>93,245,552</u>	<u>2,420,525</u>	<u>421,236</u>	<u>3,670,233</u>	<u>836,444</u>	<u>4,313,724</u>	<u>149,983</u>	<u>135,509,747</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2019	-	9,698,433	57,403,617	1,658,423	228,673	3,091,424	-	-	13,277	72,093,847
Depreciation expenses	-	363,906	2,448,028	66,656	5,268	59,504	-	-	77,532	3,020,894
Disposals	-	(5,116)	(313,543)	(21,944)	-	(1,405)	-	-	(76,786)	(418,794)
Reclassified	-	6,841	(299,873)	-	(6,841)	(9,323)	-	-	-	(309,196)
Effects of foreign currency exchange differences	-	24,150	48,778	10,801	633	579	-	-	39	84,980
Balance at March 31, 2019	<u>-</u>	<u>10,088,214</u>	<u>59,287,007</u>	<u>1,713,936</u>	<u>227,733</u>	<u>3,140,779</u>	<u>-</u>	<u>-</u>	<u>14,062</u>	<u>74,471,731</u>
<b>Accumulated impairment</b>										
Balance at January 1, 2019	1,762	260,090	353,465	112,819	80,298	-	45,638	-	-	854,072
Disposals	-	-	(1)	-	-	-	-	-	-	(1)
Effects of foreign currency exchange differences	-	5,036	1,288	1,581	240	-	-	-	-	8,145
Balance at March 31, 2019	<u>1,762</u>	<u>265,126</u>	<u>354,752</u>	<u>114,400</u>	<u>80,538</u>	<u>-</u>	<u>45,638</u>	<u>-</u>	<u>-</u>	<u>862,216</u>
Carrying amounts at March 31, 2019	<u>\$ 3,320,521</u>	<u>\$ 16,776,427</u>	<u>\$ 33,603,793</u>	<u>\$ 592,189</u>	<u>\$ 112,965</u>	<u>\$ 529,454</u>	<u>\$ 790,806</u>	<u>\$ 4,313,724</u>	<u>\$ 135,921</u>	<u>\$ 60,715,800</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<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>

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

### Buildings

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
Machinery and equipment	1-20 years
Office equipment	1-25 years
Leasehold improvements	4-8 years
Other equipment	1-16 years
Spare parts	0.5-2 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 30.

b. 2018

	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare parts	Total
<u>Cost</u>										
Balance at January 1, 2018	\$ 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
Additions	-	80,937	68,651	25,615	144	8,263	466,459	3,787,673	84,204	4,521,946
Disposals	-	(96,963)	(892,533)	(10,328)	(4,084)	(34,471)	-	(3,557)	(73,422)	(1,115,358)
Reclassified	134,386	2,571,488	2,650,388	60,403	(10,571)	83,485	(2,067,642)	(3,429,231)	-	(7,294)
Effect of foreign currency exchange differences	-	(84,174)	(321,893)	(41,517)	(19,319)	(14,602)	(10,363)	(35,899)	(936)	(528,703)
Balance at March 31, 2018	<u>2,614,511</u>	<u>19,602,872</u>	<u>62,301,621</u>	<u>1,480,213</u>	<u>301,900</u>	<u>3,311,063</u>	<u>470,466</u>	<u>7,515,717</u>	<u>116,634</u>	<u>97,714,997</u>
<u>Accumulated depreciation</u>										
Balance at January 1, 2018	-	7,075,731	39,197,724	1,116,971	205,271	2,742,405	-	-	6,803	50,344,905
Depreciation expense	-	265,723	1,654,556	27,497	3,766	61,208	-	-	75,292	2,088,042
Disposals	-	(101,017)	(850,391)	(10,328)	(3,048)	(36,452)	-	-	(73,422)	(1,074,658)
Reclassified	-	6,841	367	-	(6,841)	(367)	-	-	-	-
Effect of foreign currency exchange differences	-	(45,818)	(132,080)	(4,380)	(11,857)	(28,528)	-	-	(453)	(223,116)
Balance at March 31, 2018	-	<u>7,201,460</u>	<u>39,870,176</u>	<u>1,129,760</u>	<u>187,291</u>	<u>2,738,266</u>	-	-	<u>8,220</u>	<u>51,135,173</u>
<u>Accumulated impairment</u>										
Balance at January 1, 2018	-	211,433	31,061	83,022	-	-	-	-	-	325,516
Disposals	-	-	-	(169)	-	-	-	-	-	(169)
Effect of foreign currency exchange differences	-	(11,055)	(1,624)	(4,336)	-	-	-	-	-	(17,015)
Balance at March 31, 2018	-	<u>200,378</u>	<u>29,437</u>	<u>78,517</u>	-	-	-	-	-	<u>308,332</u>
Carrying amounts at March 31, 2018	<u>\$ 2,614,511</u>	<u>\$ 12,201,034</u>	<u>\$ 22,402,008</u>	<u>\$ 271,936</u>	<u>\$ 114,609</u>	<u>\$ 572,797</u>	<u>\$ 470,466</u>	<u>\$ 7,515,717</u>	<u>\$ 108,414</u>	<u>\$ 46,271,492</u>

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

Buildings

Main plants	3-51 years
Mechanical and electrical power equipment	1-26 years
Wafer Fab	10-16 years
Fire control equipment	10-26 years
Others	1-56 years
Machinery and equipment	1-20 years
Office equipment	1-15 years
Leasehold improvements	2-8 years
Other equipment	1-16 years
Spare parts	0.5-2 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 30.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

March 31, 2019

Carrying amounts

Land	\$ 1,418,070
Buildings	198,807
Machinery and Equipment	426,533
Transportation equipment	<u>571</u>
	<u>\$ 2,043,981</u>

**For the Three  
Months Ended  
March 31, 2019**

Additions to right-of-use assets	<u>\$ 69,231</u>
Depreciation charge for right-of-use assets	
Land	\$ 9,278
Buildings	25,779
Machinery and Equipment	24,353
Transportation equipment	<u>78</u>
	<u>\$ 59,488</u>

b. Lease liabilities - 2019

**March 31, 2019**

Carrying amounts

Current	<u>\$ 263,942</u>
Non-current	<u>\$ 1,696,888</u>

Range of discount rate for lease liabilities was as follows:

**March 31, 2019**

Land	1.10%-1.69%
Buildings	0.69%-3.77%
Machinery and equipment	0.80%-2.32%
Transportation equipment	1.13%

c. Other lease information

2019

**For the Three  
Months Ended  
March 31, 2019**

Expenses relating to short-term leases	<u>\$ 8,286</u>
Total cash outflow for leases	<u>\$ (127,152)</u>

The Group leases certain land, office, machines, vehicles and office equipment which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The Group as lessee

The Corporation leases a land from Tang Eny 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, 2018</b>	<b>March 31, 2018</b>
Not later than 1 year	\$ 16,697	\$ 16,697
Later than 1 year and not later than 5 years	<u>66,788</u>	<u>79,311</u>
	<u>\$ 83,485</u>	<u>\$ 96,008</u>

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

	<b>For the Three Months Ended March 31, 2018</b>
Minimum lease payment	<u>\$ 16,697</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, 2018</b>	<b>March 31, 2018</b>
Not later than 1 year	\$ 45,155	\$ 32,926
Over 1 year up to 5 years	<u>63,544</u>	<u>107,481</u>
	<u>\$ 108,699</u>	<u>\$ 140,407</u>

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

	<b>For the Three Months Ended March 31, 2018</b>
Minimum lease payment	<u>\$ 10,761</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, 2018</b>	<b>March 31, 2018</b>
Not later than 1 year	\$ 201,448	\$ 178,633
Later than 1 year and not later than 5 years	<u>-</u>	<u>483</u>
	<u>\$ 201,448</u>	<u>\$ 179,116</u>

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

**For the Three  
Months Ended  
March 31, 2018**

Minimum lease payment

\$ 163,633

## 16. INTANGIBLE ASSETS

	For the Three Months Ended March 31, 2018						
	Computer Software	Goodwill	Core Technique	Client Relationship	Royalty	Technique Service	Total
<u>Cost</u>							
Balance at January 1, 2018	\$ 615,883	\$ 979,819	\$ 285,501	\$ 220,775	\$ 1,679	\$ 88,894	\$ 2,192,551
Additions	3,262	-	-	-	-	-	3,262
Disposals	(804)	-	-	-	-	-	(804)
Reclassified	2,860	-	-	-	-	-	2,860
Effect of foreign currency exchange differences	10,089	-	(35,398)	-	59	-	(25,250)
Balance at March 31, 2018	<u>631,290</u>	<u>979,819</u>	<u>250,103</u>	<u>220,775</u>	<u>1,738</u>	<u>88,894</u>	<u>2,172,619</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2018	424,757	-	285,501	146,933	1,174	84,537	942,902
Amortization expense	28,261	-	-	6,308	29	1,868	36,466
Disposals	(804)	-	-	-	-	-	(804)
Effect of foreign currency exchange differences	8,772	-	(35,398)	-	42	-	(26,584)
Balance at March 31, 2018	<u>460,986</u>	<u>-</u>	<u>250,103</u>	<u>153,241</u>	<u>1,245</u>	<u>86,405</u>	<u>951,980</u>
Carrying amounts at March 31, 2018	<u>\$ 170,304</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 67,534</u>	<u>\$ 493</u>	<u>\$ 2,489</u>	<u>\$ 1,220,639</u>
For the Three Months Ended March 31, 2019							
	Computer Software	Goodwill	Core Technique	Client Relationship	Royalty	Technique Service	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 661,534	\$ 979,819	\$ 250,103	\$ 220,775	\$ 1,765	\$ 88,894	\$ 2,202,890
Additions	1,783	-	-	-	8,331	-	10,114
Disposals	(694)	-	-	-	-	-	(694)
Reclassified	9,311	-	-	-	-	-	9,311
Effect of foreign currency exchange differences	959	-	(36,448)	-	-	-	(35,489)
Balance at March 31, 2019	<u>672,893</u>	<u>979,819</u>	<u>213,655</u>	<u>220,775</u>	<u>10,096</u>	<u>88,894</u>	<u>2,186,132</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2019	523,810	-	250,103	172,165	1,354	88,894	1,036,326
Amortization expense	28,095	-	-	6,308	30	-	34,433
Disposals	(694)	-	-	-	-	-	(694)
Effect of foreign currency exchange differences	829	-	(36,448)	-	-	-	(35,619)
Balance at March 31, 2019	<u>552,040</u>	<u>-</u>	<u>213,655</u>	<u>178,473</u>	<u>1,384</u>	<u>88,894</u>	<u>1,034,446</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2019 and March 31, 2019	4,360	-	-	-	-	-	4,360
Carrying amounts at March 31, 2019	<u>\$ 116,493</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 42,302</u>	<u>\$ 8,712</u>	<u>\$ -</u>	<u>\$ 1,147,326</u>
Carrying amounts at December 31, 2018 and January 1, 2019	<u>\$ 133,364</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ 48,610</u>	<u>\$ 411</u>	<u>\$ -</u>	<u>\$ 1,162,204</u>

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 technique	5 years
Client relationship	9 years
Royalty	1-10 years
Technique service	2-4 years

## 17. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Tax refund receivables	\$ 287,792	\$ 467,876	\$ 492,823
Payment on behalf of others	135,701	284,195	120,853
Lease prepayments	-	2,566	2,661
Others	<u>76,875</u>	<u>58,211</u>	<u>154,188</u>
	<u>\$ 500,368</u>	<u>\$ 812,848</u>	<u>\$ 770,525</u>
<u>Non-current</u>			
Lease prepayments	\$ -	\$ 63,520	\$ 67,870
Refundable deposits	47,236	45,635	53,658
Prepayment for equipment	33,657	25,086	30,455
Other	<u>65,606</u>	<u>2,919</u>	<u>9,241</u>
	<u>\$ 146,499</u>	<u>\$ 137,160</u>	<u>\$ 161,224</u>

Prepaid lease payment include land use right which are located in Mainland China.

## 18. BORROWINGS

### a. Short-term bank loans

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Unsecured borrowings</u>			
Working capital loan	<u>\$ 534,295</u>	<u>\$ 843,953</u>	<u>\$ 4,556,592</u>

The effective interest rate ranges on the working capital loan was 0.68%-4.40%, 0.68%-4.40% and 0.68%-5.13% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

### b. Long-term debts

	March 31, 2019	December 31, 2018	March 31, 2018
1) Secured Borrowings (Note 30)	\$ 12,564,845	\$ 13,534,928	\$ 10,915,735
2) Unsecured Borrowings	<u>17,413,225</u>	<u>17,699,048</u>	<u>15,370,872</u>
	29,978,070	31,233,976	26,286,607
Current portion	<u>(785,059)</u>	<u>(361,637)</u>	<u>(153,758)</u>
	<u>\$ 29,193,011</u>	<u>\$ 30,872,339</u>	<u>\$ 26,132,849</u>

1. Repayable continually from April 2021 to December 2038; interest rates at 1.14%-1.24% on March 31, 2019, 1.14%-1.25% on December 31, 2018 and 1.11%-1.30% on March 31, 2018.

2. Repayable continually from January 2020 to March 2023; interest rates at 0.69%-3.90% on March 31, 2019, 0.69%-3.77% on December 31, 2018 and 0.69%-2.67% on March 31, 2018.

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.

## 19. FINANCE LEASE PAYABLES - 2018

	December 31, 2018	March 31, 2018
<u>Minimum lease payments</u>		
Up to one year	\$ 133,422	\$ 131,390
Over one year and up to five years	<u>166,085</u>	<u>148,925</u>
	299,507	280,315
Less: Future finance charges	<u>(5,074)</u>	<u>(3,317)</u>
Present value of minimum lease payments	<u>\$ 294,433</u>	<u>\$ 276,998</u>
<u>Present value of minimum lease payments</u>		
Up to one year	\$ 130,994	\$ 129,309
Over one year and up to five years	<u>163,439</u>	<u>147,689</u>
	<u>\$ 294,433</u>	<u>\$ 276,998</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.

## 20. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Accrued expenses and other current liabilities			
Salaries and bonus	\$ 1,047,876	\$ 2,001,199	\$ 1,395,137
Payables for insurance	196,661	201,643	181,938
Payable for utilities	178,569	185,893	165,885
Agency receipts	123,649	133,357	179,407
Indemnification payable (a)	58,692	99,321	74,872
Payable for annual leave	67,979	24,621	81,835
Payable for settlement (b)	-	-	436,800
Others	<u>4,561,063</u>	<u>4,578,908</u>	<u>4,139,628</u>
	<u>\$ 6,234,489</u>	<u>\$ 7,224,942</u>	<u>\$ 6,655,502</u>

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Other liabilities			
Guarantee deposits	\$ 48,944	\$ 4,260	\$ 3,956
Others	<u>334,738</u>	<u>376,989</u>	<u>370,474</u>
	<u>\$ 383,682</u>	<u>\$ 381,249</u>	<u>\$ 374,430</u> (Concluded)

- 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..

## 21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$9,905 thousand and \$10,485 thousand for the three months ended March 31, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 22. EQUITY

- a. Capital share

- 1) Common share

	March 31, 2019	December 31, 2018	March 31, 2018
Share authorized (in thousands of shares)	<u>1,500,000</u>	<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>	<u>\$ 15,000,000</u>
Share issued and fully paid (in thousands of shares)	<u>779,147</u>	<u>779,147</u>	<u>779,147</u>
Share issued (in thousands of dollars)	<u>\$ 7,791,466</u>	<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 March 31, 2019, 84 thousand units of GDSs of the Corporation were traded on the Luxembourg Share Exchange. The number of common shares represented by the GDSs was 167 thousand shares (one GDS represents 2 common shares).

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to capital share (1)			
Share premium	\$ 1,929	\$ 1,929	\$ 1,929
<u>May be used to offset a deficit only</u>			
Arising from treasury share transactions	125,712	125,712	117,612
Share of changes in capital surplus of subsidiaries and associates	<u>93</u>	<u>93</u>	<u>52</u>
	<u>\$ 127,734</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 dividends 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 24(f).

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 2018 and 2017 were approved in the board of directors' meeting on March 14, 2019 and shareholders' meetings on June 8, 2018, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (\$)</u>	
	<u>For Year 2018</u>	<u>For Year 2017</u>	<u>For Year 2018</u>	<u>For Year 2017</u>
Legal reserve appropriated	\$ 623,428	\$ 584,926	\$ -	\$ -
Special reserve (reversed) appropriated	(142,558)	337,628	-	-
Cash dividends	3,739,904	3,506,160	4.8	4.5

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. Others equity items

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

	<u>For the Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (170,725)	\$ (319,150)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	<u>6,991</u>	<u>14,842</u>
Other comprehensive income recognized for the period	<u>6,991</u>	<u>14,842</u>
Balance at March 31	\$ (163,734)	\$ (304,308)

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

	<u>For the Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (24,345)	\$ (18,478)
Recognized for the period		
Unrealized gain/(loss) - debt instruments	<u>326</u>	<u>303</u>
Other comprehensive income recognized for the period	<u>326</u>	<u>303</u>
Balance at March 31	\$ (24,019)	\$ (18,175)

e. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 12,074,141	\$ 11,676,332
Share in profit for the period	188,059	375,326
Other comprehensive income (loss) for the period		
Exchange differences on translating the financial statements of foreign entities	(25,259)	32,383
Unrealized gain on financial assets at FVTOCI	<u>8,416</u>	<u>3,803</u>
Balance at March 31	<u>\$ 12,245,357</u>	<u>\$ 12,087,844</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, 2018	1,800
Increase during the period	<u>-</u>
Number of shares at March 31, 2018	<u>1,800</u>
Number of shares at January 1, 2019	2,200
Increase during the period	<u>-</u>
Number of shares at March 31, 2019	<u>2,200</u>

The Corporation's shares held by its subsidiary at the end of the reporting periods were as follows :

<b>Name of Subsidiary</b>	<b>Number of Share Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>March 31, 2019</u>			
Greatek Electronics Inc.	2,200	\$ 160,160	\$ 160,160
<u>December 31, 2018</u>			
Greatek Electronics Inc.	2,200	\$ 145,420	\$ 145,420
<u>March 31, 2018</u>			
Greatek Electronics Inc.	1,800	\$ 165,060	\$ 165,060

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

## 23. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from packaging services	\$ 9,254,226	\$ 10,499,347
Revenue from testing service	5,027,432	5,335,139
Others	<u>150,501</u>	<u>75,085</u>
	<u>\$ 14,432,159</u>	<u>\$ 15,909,571</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>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>	<b>January 1, 2018</b>
Notes and accounts receivable (including related parties) (Note 10)	<u>\$ 9,936,953</u>	<u>\$ 11,846,133</u>	<u>\$ 11,442,569</u>	<u>\$ 12,412,484</u>
Contract assets				
Revenue from services	<u>\$ 1,552,384</u>	<u>\$ 1,671,214</u>	<u>\$ 1,530,060</u>	<u>\$ 1,683,071</u>
Contract liabilities				
Revenue from services	<u>\$ 65,511</u>	<u>\$ 39,323</u>	<u>\$ 123,687</u>	<u>\$ 43,742</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 Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
From the beginning contract liabilities		
Revenue from services	<u>\$ 11,480</u>	<u>\$ 20,863</u>

c. Disaggregation of revenue

	<b>For the Three Months Ended March 31</b>	
<u>Type of goods or services</u>	<u>2019</u>	<u>2018</u>
Revenue from packaging services	\$ 9,254,226	\$ 10,499,347
Revenue from testing services	5,027,432	5,335,139
Others	<u>150,501</u>	<u>75,085</u>
	<u>\$ 14,432,159</u>	<u>\$ 15,909,571</u>
 <u>Primary geographical markets</u>		
Japan	\$ 4,715,476	\$ 5,880,371
America	3,083,245	2,624,859
Singapore	2,921,021	3,032,725
Taiwan (The principal place of business of the Group)	2,847,652	3,381,709
Europe	544,009	431,203
China and Hong Kong	224,361	437,191
Others	<u>96,395</u>	<u>121,513</u>
	<u>\$ 14,432,159</u>	<u>\$ 15,909,571</u>

**24. NET PROFIT FROM CONTINUING OPERATIONS**

a. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<u>2019</u>	<u>2018</u>
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	\$ (4,930)	\$ 48,900
Financial liabilities classified as held for trading	(5,622)	1,313
Others	<u>103,387</u>	<u>(27,410)</u>
	<u>\$ 92,835</u>	<u>\$ 22,803</u>

b. Other income

	<b>For the Three Months Ended March 31</b>	
	<u>2019</u>	<u>2018</u>
Rental income		
Operating lease rental income	\$ 32,015	\$ 14,951
Interest income		
Bank deposits	20,476	8,842
Financial assets measured at amortized cost	2,520	2,935
Repurchase agreements collateralized by bonds	12	673
Others	<u>-</u>	<u>1,107</u>
	<u>\$ 55,023</u>	<u>\$ 28,508</u>

c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 93,032	\$ 120,530
Interest on lease liabilities	7,712	-
Capitalized interest	<u>(17,804)</u>	<u>(32,956)</u>
	<u>\$ 82,940</u>	<u>\$ 87,574</u>

Information about capitalized interest was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest	\$ 17,804	\$ 32,956
Capitalization rate	1.18%	1.19%-5.13%

d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 3,020,894	\$ 2,971,069
Right-of-use assets	59,488	-
Intangible assets	<u>34,433</u>	<u>36,466</u>
	<u>\$ 3,114,815</u>	<u>\$ 3,007,535</u>
 An analysis of depreciation by function		
Operating costs	\$ 2,932,945	\$ 2,835,165
Operating expense	<u>147,437</u>	<u>135,904</u>
	<u>\$ 3,080,382</u>	<u>\$ 2,971,069</u>
 An analysis of amortization by function		
Operating costs	\$ 31,068	\$ 34,169
Marketing	33	2
General and administrative	1,891	1,804
Research and development	<u>1,441</u>	<u>491</u>
	<u>\$ 34,433</u>	<u>\$ 36,466</u>

e. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 137,725	\$ 129,041
Defined benefit plans (Note 21)	<u>9,905</u>	<u>10,485</u>
	147,630	139,526
Other employee benefits	<u>3,509,304</u>	<u>3,762,711</u>
Total employee benefits expense	<u>\$ 3,656,934</u>	<u>\$ 3,902,237</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,146,095	\$ 3,377,292
Operating expenses	<u>510,839</u>	<u>524,945</u>
	<u>\$ 3,656,934</u>	<u>\$ 3,902,237</u>

f. Employees' compensation and remuneration of directors

According to the Corporation's Articles, the Corporation stipulate to distribute employees' compensation and remuneration to directors at the rates between 5% to 7.5% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to 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. For the three months ended March 31, 2019 and 2018, respectively, the employees' compensation and the remuneration of directors were as follows:

Accrual rate

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Employees' compensation	5.35%	5.32%
Remuneration of directors	1.07%	1.06%

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 71,100	\$ 87,168
Remuneration of directors	14,220	17,434

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

The appropriations of employees' compensation and remuneration of directors for 2018 and 2017 that were resolved by the board of directors on March 14, 2019 and March 16, 2018, respectively, are as shown below:

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

g. Gains or losses on foreign currency exchange

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Foreign exchange gains	\$ 79,518	\$ 135,272
Foreign exchange losses	<u>(28,207)</u>	<u>(317,643)</u>
Net gains (losses)	<u>\$ 51,311</u>	<u>\$ (182,371)</u>

## 25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 263,133	\$ 435,987
Deferred tax		
In respect of the current period	<u>58,181</u>	<u>20,297</u>
Income tax expense recognized in profit or loss	<u>\$ 321,314</u>	<u>\$ 456,284</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

Income tax returns through 2016 have been assessed by the tax authorities.

**26. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share	<u>\$ 1.36</u>	<u>\$ 1.66</u>
Diluted earnings per share	<u>\$ 1.35</u>	<u>\$ 1.65</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 Periods**

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Net profit attributable to owner of the Corporation	\$ 1,053,331	\$ 1,291,380
Effect of potentially dilutive common share: Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 1,053,331</u>	<u>\$ 1,291,380</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of common shares used in the computation of basic earnings per share	776,947	777,347
Effect of potentially dilutive common share: Employees' compensation	<u>5,818</u>	<u>4,421</u>
Weighted average number of common shares used in the computation of dilutive earnings per share	<u>782,765</u>	<u>781,768</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.

## 27. 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).

## 28. FINANCIAL INSTRUMENTS

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

March 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,051,243	\$ -	\$ 1,056,602	\$ -	\$ 1,056,602

December 31, 2018

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

March 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,152,822	\$ -	\$ 1,158,620	\$ -	\$ 1,158,620

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

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,447	\$ -	\$ -	\$ 50,447
Derivative instruments	<u>-</u>	<u>1,145</u>	<u>-</u>	<u>1,145</u>
	<u>\$ 50,447</u>	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ 51,592</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,629</u>	<u>\$ 24,500</u>	<u>\$ -</u>	<u>\$ 27,129</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 5,388</u>	<u>\$ -</u>	<u>\$ 5,388</u>

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>

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutul funds	\$ 50,216	\$ -	\$ -	\$ 50,216
Derivative instrument	<u>-</u>	<u>17,771</u>	<u>-</u>	<u>17,771</u>
	<u>\$ 50,261</u>	<u>\$ 17,771</u>	<u>\$ -</u>	<u>\$ 67,987</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares and emerging market shares	<u>\$ 2,973</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 32,973</u>
Financial liabilities at FVTPL				
Derivative instrument	<u>\$ -</u>	<u>\$ 1,131</u>	<u>\$ -</u>	<u>\$ 1,131</u>

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

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>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 51,592	\$ 56,217	\$ 67,987
Financial assets at amortized cost (Note 1)	33,317,992	33,352,629	33,584,751
Financial assets at FVTOCI			
Equity instruments	27,129	26,803	32,973
<u>Financial liabilities</u>			
FVTPL			
Held for trading	5,388	2,223	1,131
Amortized cost (Note 2)	37,083,408	40,652,073	38,497,768

Note 1: 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 2: 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 (including current portion).

d. Financial risk management objectives and policies

The Group's major financial instruments included equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. 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 32.

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.

	USD impact		JPY impact	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2019	2018	2019	2018
Profit or loss	\$ (371,512)	\$ (318,517)	\$ 30,368	\$ 38,513

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.

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial assets	\$ 9,872,799	\$ 9,445,057	\$ 9,941,705
Financial liabilities	2,690,934	1,049,454	1,121,467
Cash flow interest rate risk			
Financial assets	11,891,698	10,536,721	10,754,538
Financial liabilities	29,782,261	31,322,908	29,998,730

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 profit for the three months ended March 31, 2019 and 2018 would decrease/increase by \$4,473 thousand and \$4,811 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 three months ended March 31, 2019 and 2018 would have increased/decreased by \$2,522 thousand and \$2,511 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the three months ended March 31, 2019 and 2018 would have increased/decreased by \$1,356 thousand and \$1,649 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 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.

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

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 period. The three largest customers are creditworthy counterparts, therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

### Credit risk management for investments in debt instruments

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:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
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 March 31, 2019, December 31, 2018 and March 31, 2018, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$6,754,331 thousand, \$6,578,487 thousand and \$5,658,315 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 upon repayment periods. The table has 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 table includes 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 upon repayment dates.

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.

#### March 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 2,146,686	\$ 3,295,592	\$ 1,117,445	\$ 5,520	\$ 5,800
Lease liabilities	23,337	45,355	195,250	399,441	1,297,447
Fixed interest rate liabilities	127,925	36,192	133,771	432,216	-
Variable interest rate liabilities	<u>400,000</u>	<u>20,000</u>	<u>601,466</u>	<u>25,444,931</u>	<u>3,315,864</u>
	<u>\$ 2,697,948</u>	<u>\$ 3,397,139</u>	<u>\$ 2,047,932</u>	<u>\$ 26,282,108</u>	<u>\$ 4,619,111</u>

#### Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 263,942</u>	<u>\$ 399,441</u>	<u>\$ 133,633</u>	<u>\$ 142,940</u>	<u>\$ 153,719</u>	<u>\$ 867,155</u>

#### December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 3,437,665	\$ 3,947,536	\$ 1,188,943	\$ -	\$ -
Fixed interest rate liability	-	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>

March 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	\$ 3,105,148	\$ 2,980,327	\$ 1,127,375	\$ 4,919	\$ -
Fixed interest rate liabilities	93,776	448,799	217,327	361,565	-
Variable interest rate liabilities	<u>2,136,796</u>	<u>300,000</u>	<u>1,624,761</u>	<u>24,235,424</u>	<u>1,701,749</u>
	<u>\$ 5,335,720</u>	<u>\$ 3,729,126</u>	<u>\$ 2,969,463</u>	<u>\$ 24,601,908</u>	<u>\$ 1,701,749</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.

March 31, 2019

	<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	\$ 1,313,803	\$ 483,591	\$ 88,364
Outflows	<u>(1,315,668)</u>	<u>(485,567)</u>	<u>(88,766)</u>
	<u>\$ (1,865)</u>	<u>\$ (1,976)</u>	<u>\$ (402)</u>

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>

March 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	\$ 1,175,949	\$ 1,104,653	\$ 95,713
Outflows	<u>(1,165,604)</u>	<u>(1,098,501)</u>	<u>95,570</u>
	<u>\$ 10,345</u>	<u>\$ 6,152</u>	<u>\$ 143</u>

b) Financing facilities

	March 31, 2019	December 31, 2018	March 31, 2018
Secured bank loan facilities which may be mutually			
Amount used	\$ 12,564,845	\$ 13,534,928	\$ 10,260,735
Amount unused	<u>312,500</u>	<u>-</u>	<u>966,000</u>
	<u>\$ 12,877,345</u>	<u>\$ 13,534,928</u>	<u>\$ 11,226,735</u>

**29. 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

b. Sales of goods

Line Items	Related Party Category/Name	<u>For the Three Months Ended March 31</u>	
		2019	2018
Sales of goods	Substantial related parties		
	Toshiba Memory Corporation	\$ 3,299,620	\$ 3,375,636
	Others	<u>732,613</u>	<u>604,728</u>
		<u>\$ 4,032,233</u>	<u>\$ 3,980,364</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/Name	For the Three Months Ended March 31	
	2019	2018
Substantial related parties		
Toshiba International Procurement Hong Kong, Ltd.	\$ 36,679	\$ 22,971
Others	<u>149</u>	<u>17</u>
	<u>\$ 36,828</u>	<u>\$ 22,988</u>

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

d. Other gains and losses

Related Party Category	For the Three Months Ended March 31	
	2019	2018
Substantial related parties	<u>\$ 307</u>	<u>\$ 10</u>

Mainly the differences on Collections and Payment Transfer.

e. Contract assets

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Substantial related parties			
Toshiba Memory Corporation	\$ 351,227	\$ 511,952	\$ 432,987
Kingston Technology International Ltd.	52,685	30,237	11,212
Others	<u>40,481</u>	<u>34,526</u>	<u>50,635</u>
	<u>\$ 444,393</u>	<u>\$ 576,715</u>	<u>\$ 494,834</u>

For the three months ended March 31, 2019 and 2018, no impairment loss was recognized for contract assets from related parties.

f. Accounts receivables from related parties (excluding loans to related parties and contract assets)

Line Items	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivables from related parties	Substantial related parties			
	Toshiba Memory Corporation	\$ 2,177,295	\$ 2,451,389	\$ 2,228,228
	Others	<u>607,752</u>	<u>427,919</u>	<u>493,340</u>
		<u>\$ 2,785,047</u>	<u>\$ 2,879,308</u>	<u>\$ 2,721,628</u>

The outstanding accounts receivables from related parties are unsecured. For the three months ended March 31, 2019 and 2018, no impairment loss was recognized for accounts receivables from related parties.

g. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payables from related parties	Substantial related parties Toshiba International Procurement Hong Kong, Ltd.	\$ 36,623	\$ -	\$ 15,719
	Others	<u>-</u>	<u>-</u>	<u>9</u>
		<u>\$ 36,623</u>	<u>\$ -</u>	<u>\$ 15,728</u>

The outstanding accounts payable from related parties are unsecured.

h. Other receivables from related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Substantial related parties			
Toshiba Memory Corporation	\$ 9,463	\$ 15,773	\$ -
Toshiba Corporation	-	-	22,454
Others	<u>989</u>	<u>308</u>	<u>1,288</u>
	<u>\$ 10,452</u>	<u>\$ 16,081</u>	<u>\$ 23,742</u>

i. Other payables from related parties

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Substantial related parties			
Toshiba Memory Corporation	<u>\$ -</u>	<u>\$ 569</u>	<u>\$ -</u>

j. Payable expenses and other current liabilities

Related Party Category/Name	March 31, 2019	December 31, 2018	March 31, 2018
Substantial related parties			
Toshiba Memory Corporation	\$ -	\$ 7,301	\$ -
Realtek Singapore Private Limited	<u>129</u>	<u>-</u>	<u>-</u>
	<u>\$ 129</u>	<u>\$ 7,301</u>	<u>\$ -</u>

k. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 78,816	\$ 88,011
Post-employment benefits	<u>4,872</u>	<u>459</u>
	<u>\$ 83,688</u>	<u>\$ 88,470</u>

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

### 30. 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>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Property, plant and equipment	\$ 17,899,310	\$ 19,333,168	\$ 17,594,120
Pledge deposits (classified as financial assets at amortized cost - current)	21,469	21,763	12,394
Restricted deposits (classified as financial assets at amortized cost - current)	319,487	318,534	298,976
Pledge deposits (classified as financial assets at amortized cost - noncurrent)	<u>80,174</u>	<u>96,815</u>	<u>536,560</u>
	<u>\$ 18,320,440</u>	<u>\$ 19,770,280</u>	<u>\$ 18,442,050</u>

### 31. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Group's significant commitments and contingencies as of March 31, 2019 were as following:

- a. 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 March 31, 2019, the Corporation has paid a total of \$423,772 thousand.
- b. From September 2017 to June 2018, the Corporation signed the purchase agreements of equipment worth \$2,254,499 thousand with Advantest Corporation. As of March 31, 2019, the Corporation has paid a total of \$2,153,740 thousand.
- c. 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 March 31, 2019, TeraPower Technology Inc. had made the payment in full.

d. The unused letters of credit amounted were as follows:

	March, 31 2019	December, 31 2018	March, 31 2018
USD	\$ -	\$ -	\$ 395
JYP	243,700	483,640	2,386,754

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	March 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 337,941	30.825 (USD:NTD)	\$ 10,417,031
USD	10,280	6.7202 (USD:RMB)	316,881
USD	22,734	110.74 (USD:JPY)	700,776
JPY	666,290	0.2784 (JPY:NTD)	185,495
JPY	960	0.0607 (JPY:RMB)	267
JPY	842,249	0.0090 (JPY:USD)	234,482
SGD	3,043	0.7382 (SGD:USD)	69,241
RMB	19,735	0.1488 (RMB:USD)	88,871
RMB	4,507	4.5869 (RMB:NTD)	20,673
			<u>\$ 12,033,717</u>
Non-monetary items			
USD	126	30.825 (USD:NTD)	\$ 3,871
JPY	2,936	0.2784 (JPY:NTD)	817
			<u>\$ 4,688</u>
<u>Financial liabilities</u>			
Monetary items			
USD	89,156	30.825 (USD:NTD)	\$ 2,748,234
USD	21,767	6.7202 (USD:RMB)	670,968
USD	18,986	110.74 (USD:JPY)	585,243
EUR	346	34.6226 (EUR:NTD)	11,979
JPY	2,461,796	0.2784 (JPY:NTD)	685,364
JPY	16,874	0.0607 (JPY:RMB)	4,698
JPY	1,212,446	0.0090 (JPY:USD)	337,545
SGD	1,717	0.7382 (SGD:USD)	39,069
RMB	38,332	0.1488 (RMB:USD)	175,825
			<u>\$ 5,258,925</u>
Non-monetary items			
USD	70	30.825 (USD:NTD)	\$ 2,143
JPY	22,731	0.2784 (JPY:NTD)	6,329
RMB	18	4.5869 (RMB:NTD)	83
			<u>\$ 8,555</u>

	<b>December 31, 2018</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
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>
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>

	<b>March 31, 2018</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 356,382	29.12 (USD:NTD)	\$ 10,377,844
USD	7,176	6.2733 (USD:RMB)	208,965
USD	4,412	106.19 (USD:JPY)	128,477
JPY	770,362	0.2742 (JPY:NTD)	211,253
JPY	1,745	0.0591 (JPY:RMB)	479
JPY	779,337	0.0094 (JPY:USD)	213,714
SGD	1,857	0.7632 (SGD:USD)	41,268
SGD	72	22.223 (SGD:NTD)	1,600
RMB	8,452	0.1594 (RMB:USD)	39,233
RMB	9,485	4.6419 (RMB:NTD)	<u>44,028</u>
			<u>\$ 11,266,861</u>
Non-monetary items			
USD	157	29.12 (USD:NTD)	\$ 4,575
JPY	23,471	0.2742 (JPY:NTD)	<u>6,436</u>
			<u>\$ 11,011</u>
<u>Financial liabilities</u>			
Monetary items			
USD	153,830	29.12 (USD:NTD)	\$ 4,479,530
USD	15,468	6.2733 (USD:RMB)	450,428
USD	548	106.19 (USD:JPY)	15,958
EUR	3,312	35.89 (EUR:NTD)	118,855
EUR	18	7.731 (EUR:RMB)	646
JPY	3,259,784	0.2742 (JPY:NTD)	893,916
JPY	30,128	0.0591 (JPY:RMB)	8,262
JPY	1,130,660	0.0094 (JPY:USD)	310,056
SGD	1,255	0.7632 (SGD:USD)	27,890
RMB	20,230	0.1594 (RMB:USD)	<u>93,906</u>
			<u>\$ 6,399,447</u>
Non-monetary items			
USD	2	29.12 (USD:NTD)	\$ 45
JPY	47,948	0.2742 (JPY:NTD)	<u>13,149</u>
			<u>\$ 13,194</u>

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$51,311 thousand and \$(182,371) 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.

### 33. 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. Loans provided to other parties: Table 1 (attached).
- b. Endorsement/guarantee provided: Table 2 (attached).
- c. Marketable securities held: Table 3 (attached).
- d. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 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 4 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
- i. Derivative transactions: Note 7.
- j. Information of intercompany relationships and significant intercompany transactions: Table 6 (attached).
- k. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 7 (attached).
- l. Information on investment in mainland China: Table 8 (attached)

The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Note 33 (j).

### 34. SEGMENT INFORMATION

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 three months ended March 31, 2019 and 2018 are shown in the consolidated income statements for the three months ended March 31, 2019 and 2018. The segment assets as of March 31, 2019, December 31, 2018 and March 31, 2018 are shown in the consolidated balance sheets as of March 31, 2019, December 31, 2018 and March 31, 2018.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(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	\$ 924,750	\$ 924,750	\$ 647,325	2.2%	For short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 2,103,194	\$ 4,206,387	-
		Powertech Technology (Suzhou) Ltd.	Other receivable	Note 2	739,800	739,800	631,913	2.2%	For short-term financing	-	Working capital	-	-	-	2,103,194	4,206,387	-
1	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivable	Note 1	211,584	211,584	155,904	1.0%	For short-term financing	-	Working capital	-	-	-	296,330	592,661	-

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 GIVEN TO OTHER PARTIES  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(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	\$ 4,206,387	\$ 924,750	\$ 924,750	\$ 142,412	\$ -	2.20	\$ 21,031,937	Yes	-	-	-
	Powertech Technology (Suzhou) Ltd.	Note 2	4,206,387	616,500	616,500	-	-	1.47	21,031,937	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  
MARCH 31, 2019  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note	
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value		
Powertech Technology Inc.	Share Solid state system Co., Ltd.	-	Financial assets at fair value through other comprehensive profit or loss – non-current	2,617	\$ 27,129	3	\$ 27,129	Note 3	
Greatek Electronics Inc.	Fund FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	283	50,447	-	50,447	Note 4	
	Bond P04 Hon Hai 4C	-	Financial assets at amortized cost - current	100	100,000	-	100,251	Note 2	
	P06 Taipower 1A	-	Financial assets at amortized cost. – non-current	300	300,001	-	303,454	Note 2	
	P07 Taipower 1A	-	Financial assets at amortized cost. - non-current	200	200,001	-	200,000	Note 2	
	02 Taipower 1B	-	Financial assets at amortized cost. – non-current	150	151,241	-	151,230	Note 2	
	P06 Taipower 3A	-	Financial assets at amortized cost. – non-current	100	100,000	-	100,048	Note 2	
	P04 FENC 4	-	Financial assets at amortized cost. – non-current	100	100,000	-	100,693	Note 2	
	P06 FPC 1A	-	Financial assets at amortized cost. – non-current	100	100,000	-	100,926	Note 2	
	Share POWERTECH TECHNOLOGY INC.	Greatek Electronics Inc.'s parent company	-	Financial assets at fair value through other comprehensive profit or loss - noncurrent	2,200	160,160	-	160,160	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 5	
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 5	
Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 5		

Note 1: The fair value was based on the closing price of the share as of March 31, 2019.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of March 31, 2019.

Note 3: The fair value of common share was based on share closing price, and the fair value of privately placed shares was determined using valuation techniques as of March 31, 2019.

Note 4: The fair value was based on the net asset value of the fund as of March 31, 2019.

Note 5: The fair value was based on the carrying value as of March 31, 2019.

Note 6: As of March 31, 2019, the above marketable securities had not been pledged or mortgaged.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2019  
(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	% to 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	\$ 3,245,219	36	Note 1	\$ -	-	\$ 2,125,031	42	-
			Sale	348,666	4	Note 1	-	-	186,721	4	-
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s director	Sale	232,912	9	Net 60 days from monthly closing dates	Note 2	-	248,473	9	-
	Realtek Singapore Private Limited	Same parent company as the Corporate's director.	Sale	127,630	5	Net 60 days from monthly closing dates	Note 2	-	154,846	6	-

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

MARCH 31, 2019

(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	\$ 2,125,031	5.71	\$ -	-	\$ 914,568	\$ -
	Kingston Technology International Ltd.	The president and the vice president are the corporate director of the Corporation.	186,721	8.45	-	-	93,776	-
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of Greatek Electronics Inc.'s director	248,473	3.91	-	-	78,240	-
	Realtek Singapore Private Limited	Same parent company as the Corporate's director.	154,846	5.24	-	-	-	-

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION OF INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2019  
 (In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Flow	Intercompany Transactions				
			Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets	
Powertech Technology Inc.	Powertech Technology (Suzhou) Ltd.	1	Sales	\$ 232	Note 3	-	
	TeraPower Technology Inc.	1	Sales	7,109	Note 3	-	
	Powertech Technology Akita Inc.	1	Sales	11	Note 3	-	
	Tera Probe, Inc.	1	Sales	290	Note 3	-	
	Powertech Technology (Suzhou) Ltd.	1	Purchase	2,173	Note 2	-	
	Powertech Technology (Singapore) Pte. Ltd.	1	Purchase	510	Note 2	-	
	Powertech Technology (Suzhou) Ltd.	1	Subcontracting costs	149,991	Note 2	1%	
	Greatek Electronics Inc.	1	Subcontracting costs	11,488	Note 2	-	
	Tera Probe, Inc.	1	Rent	4,905	Note 2	-	
	Powertech Technology (Singapore) Pte. Ltd.	1	Other gains and losses	1,038	Note 2	-	
	Greatek Electronics Inc.	1	Other gains and losses	100	Note 2	-	
	Powertech Technology Akita Inc.	1	Other gains and losses	1,848	Note 2	-	
	Powertech Technology (Suzhou) Ltd.	1	Interest income	4,911	Note 2	-	
	Powertech Technology (Singapore) Pte. Ltd.	1	Interest income	5,232	Note 2	-	
	TeraPower Technology Inc.	1	Accounts receivable from related parties	2,948	Note 3	-	
	Powertech Technology (Xian) Ltd.	1	Other receivables from related parties	217,668	Note 2	-	
	Greatek Electronics Inc.	1	Other receivables from related parties	446	Note 2	-	
	Powertech Technology (Suzhou) Ltd.	1	Other receivables from related parties	634,772	Note 2	1%	
	Powertech Technology (Singapore) Pte. Ltd.	1	Other receivables from related parties	692,267	Note 2	1%	
	Powertech Technology Akita Inc.	1	Other receivables from related parties	2,799	Note 2	-	
	Tera Probe, Inc.	1	Other receivables from related parties	291	Note 2	-	
	Powertech Technology Akita Inc.	1	Disposal of property, plant and equipment	939	Note 2	-	
	Powertech Technology (Xian) Ltd.	1	Purchase of property, plant and equipment	267	Note 2	-	
	Powertech Technology (Singapore) Pte. Ltd.	1	Other payables to related parties	25	Note 2	-	
	Powertech Technology (Suzhou) Ltd.	1	Other payables to related parties	49,944	Note 2	-	
	Greatek Electronics Inc.	1	Other payables to related parties	19,998	Note 2	-	
	Powertech Technology (Japan) Ltd.	1	Other payables to related parties	5,168	Note 2	-	
	Powertech Technology Akita Inc.	1	Other payables to related parties	3,602	Note 2	-	
	Tera Probe, Inc.	1	Other payables to related parties	28,586	Note 2	-	
	Powertech Technology (Singapore) Pte. Ltd.	1	Accounts payable to related parties	510	Note 2	-	
	TeraPower Technology Inc.	1	Other receivables from related parties	3,612	Note 2	-	
	Tera Probe, Inc.	Greatek Electronics Inc.	2	Sales	129	Note 4	-
			2	Accounts receivable from related parties	129	Note 4	-
Powertech Technology (Singapore) Pte. Ltd.	Greatek Electronics Inc.	2	Accounts receivable from related parties	129	Note 4	-	

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 negotiated and thus not comparable with those in the market, and the collection period with subsidiaries was same as common customer.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE

MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				March 31, 2019	December 31, 2018	Shares (Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsin-chu	Wafer probing test services	\$ 1,153,964	\$ 1,153,964	73,386	49	\$ 2,213,342	\$ (93,170)	\$ (22,485)	Notes 1 and 2
	Powertech Holding (BVI) Inc.	BVI	Investment business	1,679,370	1,679,370	50	100	786,793	(22,587)	(22,587)	Notes 1 and 2
	Greatek Electronics Inc.	Miaoli	Semiconductor assembly and testing service	6,169,948	6,169,948	244,064	43	8,094,114	339,667	141,514	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	1,514,640	27,727	27,727	Notes 2 and 3
	Powertech Technology Japan Ltd.	Japan	Investment business	USD 103,052	USD 103,052	-	100	3,050,410	(7,985)	(2,947)	Note 3
	Tera Probe, Inc.	Japan	Wafer probing test services	\$ 230,616	\$ 230,616	1,077	12	367,272	(19,979)	(64)	Note 3
	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 51,000	USD 51,000	103	100	USD 24,541	USD (740)	USD (740)	Note 3
Powertech Holding (BVI) Inc.	Tera Probe, Inc.	Japan	Wafer probing test services	USD 43,963	USD 43,963	4,440	47	USD 91,965	USD (648)	USD (310)	Note 3
	Powertech Technology Akita Inc.	Japan	Semiconductor assembly and testing service	USD 48,917	USD 48,917	6	100	USD 42,202	USD (6)	USD (6)	Note 3
	TeraPower Technology Inc.	Hsin-chu	Wafer probing test services	JPY4,348,056	JPY4,348,056	76,381	51	JPY4,348,056	JPY (333,203)	JPY (169,933)	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY 221,616	JPY 221,616	180	100	JPY 221,616	JPY (100,629)	JPY (100,629)	Note 3

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

Note 2: Excluding unrealized intercompany gains (losses).

Note 3: Amount was recognized on the basis of unreviewed financial statements.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## INFORMATION ON INVESTMENT IN MAINLAND CHINA

MARCH 31, 2019

(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 Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2019 (Note 2)	Accumulated Inward Remittance of Earnings as of March 31, 2019	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	\$ 2,219,400 (US\$ 72,000)	Note 1	\$ 1,572,075 (US\$ 51,000)	\$ -	\$ -	\$ 1,572,075 (US\$ 51,000)	\$ (22,748) (US\$ (738))	100%	\$ (22,748) (US\$ (738))	\$ 756,264 (US\$ 24,535)	\$ -	-
Powertech Technology (Xian) Ltd.	Semiconductor testing and assembly services	2,157,750 (US\$ 70,000)	Note 1	2,041,077 (US\$ 66,215)	-	-	2,041,077 (US\$ 66,215)	153,628 (US\$ 4,982)	100%	153,628 (US\$ 4,982)	2,872,317 (US\$ 93,181)	-	-

Equity-method Investee Company	Accumulated Investment in Mainland China as of March 31, 2019 (US\$ in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (US\$ in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Powertech Technology (Suzhou) Ltd. Powertech Technology (Xian) Ltd.	US\$ 51,000 US\$ 66,215	US\$ 51,000 US\$ 70,000	\$25,238,324

Note 1: Indirect investments through Powertech Holding (BVI) Inc., the Corporation's wholly-owned subsidiaries.

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

Note 3: Based on the exchange rate as of March 31, 2019.