CMC MAGNETICS CORPORATION

Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

(Stock code 2323)

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INDEPENDENT AUDITORS' REPORT

(2019) PWCR18003896

To the Board of Directors and Shareholders of CMC Magnetics corporation.

Opinion

We have audited the accompanying parent company only balance sheets of CMC Magnetics corporation (the "Company") as at December 31, 2018 and 2017, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2018 are stated as follows:

Accounting estimates on valuation of inventories

Description

Please refer to Note 4 (11) to the parent company only financial statements for the accounting policy of inventory evaluation. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of inventory evaluation. Please refer to Note 6 (6) to the parent company only financial statements for the details of the information about the inventory.

The Company mainly manufactures and sells optical discs. The inventories are subject to high fluctuations in market prices, resulting in a higher risk of inventory valuation losses. Also, the amount of inventory and the number of items are large in the Company. Furthermore, the process of individual identification of outdated inventories often involves human judgment. As a result, the auditor has included the assessment of allowance of inventory in the Company as one of the key audit matters for the year.

How our audit addressed the matter

The key audit matter influences the Company and some of its subsidiaries which are recognized by using the equity method. Our key audit procedures performed in respect of the above area included the following:

1. Assessed the policy used for the inventory allowance, based on the understanding of the operation of the company and the nature of the industry.
2. Understood and tested that the net realizable value was consistent with the policy set by the Company. Moreover, spot-checked the correctness of the calculation of the selling price and net realizable value of inventory with item numbers, respectively.
3. Obtained outdated inventory details identified by the management. Then, reviewed its relevant information and check the records.

Impairment assessment of property, plant and equipment

Description

Please refer to Note 4 (13) and (18) to the parent company only financial statements for the accounting policy about impairment of property, plant and equipment and non-financial asset. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of impairment of property, plant and equipment. Please refer to Note 6 (8) and (10) to the parent company only financial statements for the details of the information about the impairment of property, plant and equipment.

The Company estimates the recoverable amount of the property, plant and equipment based on its value-in-use and as the basis for the impairment assessment. As the value-in-use assessment procedure involves management's judgment, any changes due to economic conditions or company strategies may result in impairment in the future. As a result, the auditor has included the assessment of impairment of property, plant and equipment in the Company as one of the key audit matters for the year.

How our audit addressed the matter

The key audit matter influences the Company and some of its subsidiaries which are recognized by using the equity method. Our key audit procedures performed in respect of the above area included the following:

1. Examined the recoverable amount approved by management of assets with impairments on the balance sheet date. Moreover, recalculated the correctness of the relevant calculations.
2. Understood and evaluated the Company's asset impairment assessment procedures and accounting policies in accordance with the principles and consistent adoption. Furthermore, reviewed the methods used by management to determine the recoverable amount of individual assets.
3. According to the asset usage model and industrial characteristics, obtained the assessment information used by the management to determine the recoverable amount. Assessed the rationality of the independent cash flow of the asset group, the useful life of the asset, and the potential gains and losses in the future.

Accounting estimates on allowance for accounts receivable losses

Description

Please refer to Note 4 (8) to the parent company only financial statements for the accounting policy about accounts receivable. Please refer to Note 5 (2) to the parent company only financial statements for the uncertainty of accounting judgment and hypothesis of allowance for uncollectible accounts—accounts receivable. Please refer to Note 6 (4) to the parent

company only financial statements for the details of the information about accounts receivable.

The Company adopts individual identification method to assess the impairment of accounts receivable. When the accounts receivable are overdue, the management of the Company will re-examine the possibility of account recovery. In addition, the management decide whether the amount provided under provision for allowance is appropriate case by case. As the assessment procedure involves management's judgment. Also, there are high probability of causing inappropriate accounting estimates. As a result, the auditor has included the assessment of provision for allowance for uncollectible accounts—accounts receivable in the Company as one of the key audit matters for the year.

How our audit addressed the matter

Our key audit procedures performed in respect of the above area included the following:

1. Understood the process by which management assesses the likelihood of recovering for individual accounts receivable.
2. Evaluated the appropriateness of the relevant supporting documents for the significant provision for allowance for accounts receivable recognized by the management.
3. Examined the collection situation after the balance sheet date, for the accounts receivable with significant amount mentioned above.
4. For accounts receivable that had not been received and had a significant amount after the balance sheet date, obtained relevant information and re-examined and assessed their adequacy.

Other matter–Reports of other independent accountants

We did not audit the financial statements of certain investments accounted for under the equity method. These investments accounted for under the equity method amounted to NT$2,328,563 thousand and NT$3,709,013 thousand, constituting 8.99% and 14.90% of total assets as of December 31, 2018 and 2017, respectively, and other comprehensive loss of subsidiaries, associates, and joint ventures accounted for under equity method amounted to NT$1,215,470 thousand and NT$313,423 thousand, constituting (231.31%) and 24.16% of total comprehensive income (loss) for the years ended December 31, 2018 and 2017, respectively. The financial statements of these investments accounted for under the equity method were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the separate financial statements and information disclosed relative to these investments, is based solely on the reports of other independent auditors.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of CMC Magnetics corporation.

Independent auditor's responsibilities for the audit of the parent company only financial statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of CMC Magnetics corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of CMC Magnetics corporation to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CMC Magnetics corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CMC Magnetics corporation to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Taiwan

Yu. Shu-fen

Independent Accountants

Chang, Shu-chiung

Financial Supervisory Commission, R.O.C (Taiwan)
Approval number: Order No. Financial-Supervisory-Securities-Auditing-1030027246
Financial Supervisory Commission, Executive Yuan
Approval number: Order No. Financial-Supervisory-Securities-Auditing-0990042602

March 20, 2019

CMC MAGNETICS CORPORATION
PARTENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,729,140	11	$ 1,629,003	7
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	1,732,573	7	1,492,845	6
1125	Available-for-sale financial assets - current	12(4)	-	-	46,463	-
1150	Notes receivable	6(4)	1,190	-	3,568	-
1160	Notes receivable - related parties	7	8,678	-	9,000	-
1170	Accounts receivable	6(4)(5)	1,111,478	4	1,444,012	6
1180	Accounts receivable - related parties	7	112,035	-	74,726	-
1200	Other receivables	6(5)	495,208	2	271,385	1
1210	Other receivables - related parties	7	1,160,020	4	1,148,601	5
130X	Inventories	6(6)	924,516	4	821,077	3
1476	Other financial assets - curent	8	31,753	-	63,770	-
1479	Other current assets - curent		62,114	-	144,435	1
11XX	Total current assets		8,368,705	32	7,148,885	29
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2) and 8	312,000	1	275,080	1
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	31,860	-	-	-
1543	Financial assets carried at cost - non-current	12(4)	-	-	49,353	-
1550	Investments accounted for under equity method	6(7) and 8	10,700,620	42	10,210,204	41
1600	Property, plant and equipment	6(8)(10) and 8	5,219,840	20	6,014,825	24
1760	Net Investment property	6(9) and 8	547,845	2	411,328	2
1780	Intangible assets		21,951	-	40,575	-
1840	Deferred income tax assets	6(25)	260,844	1	321,278	1
1900	Other non-current assets	6(11)	447,891	2	428,402	2
15XX	Total non-current assets		17,542,851	68	17,751,045	71
1XXX	TOTAL ASSETS		$ 25,911,556	100	$ 24,899,930	100

(Continued)

CMC MAGNETICS CORPORATION
PARTENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSAND OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	$ 250,000	1	$ 30,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(13)	-	-	122	-
2130	Contract liabilities - current	6(20)	93,886	-	-	-
2150	Notes payables		365,665	2	388,151	2
2170	Accounts payable		608,841	2	583,154	2
2180	Accounts payable- related parties	7	106,022	1	174,143	1
2200	Other payables		391,896	2	321,220	1
2220	Other payables- related parties	7	1,401,000	5	1,608	-
2320	Long-term liabilities - current portion	6(14) and (8)	1,139,940	4	1,104,940	4
2399	Other current liabilities		30,814	-	268,277	1
21XX	Total current liabilities		4,388,064	17	2,871,615	11
	Non-current liabilities					
2540	Long-term loans	6(14) and (8)	1,968,460	7	2,484,020	10
2600	Other non-current liabilities	6(7)(15)(25)	488,628	2	467,022	2
25XX	Total non-current liabilities		2,457,088	9	2,951,042	12
2XXX	Total liabilities		6,845,152	26	5,822,657	23
	Equity					
	Share capital	6(16)				
3110	Share capital - common shares		17,741,264	69	18,306,475	74
	Additional paid-in capital	6(17)				
3200	Additional paid-in capital		7,542,770	29	7,441,417	30
	Retained earnings	6(18)				
3350	Accumulated deficit		(5,671,352)	(22)	(6,293,519)	(25)
	Other equity					
3400	Other equity	6(19)	(295,175)	(1)	(208,030)	(1)
	Treasury stock					
3500	Treasury stock	6(16)	(251,103)	(1)	(169,070)	(1)
3XXX	Total equity		19,066,404	74	19,077,273	77
	Significant contingent liabilities and Unrecognized contract commitments	6(14)、7 and 9				
	Significant events after balance sheet date	11				
3X2X	TOTAL LIABILITIES AND EQUITY		$ 25,911,556	100	$ 24,899,930	100

The accompanying notes are an integral part of parent company only financial statements.

Chairman：WONG, MING-SEN　　Manager：WONG, MING-SEN　　Accounting Supervisor：YANG, PI-YIN

CMC MAGNETICS CORPORATION

PARTENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	Operating revenues	6(20) and 7	$ 6,643,919	100	$ 6,727,951	100
5000	Operating costs	6(6)(15)(24) and (7)	(6,093,215)	(92)	(6,595,380)	(98)
5900	Gross profits		550,704	8	132,571	2
5910	Unrealized gain from sale		2,022	-	9,570	-
5920	Realized gain from sale		(9,570)	-	(12,904)	-
5950	**Gross profit from operations**		543,156	8	129,237	2
	Operating expenses	6(15)(24)(27)				
6100	Selling expenses		(289,642)	(4)	(276,241)	(4)
6200	Administrative expenses		(171,412)	(3)	(204,219)	(3)
6300	Research and development expenses		(166,477)	(2)	(212,070)	(3)
6450	Expected credit impairment profit	12(2)	17,831	-	-	-
6000	**Total operating expenses**		(609,700)	(9)	(692,530)	(10)
6900	**Operating loss**		(66,544)	(1)	(563,293)	(8)
	Non-operating income and expenses					
7010	Other income	6(21) and 7	163,851	3	222,346	3
7020	Other gains and losses	6(2)(13)(22)	(340,846)	(5)	34,057	1
7050	Financial costs	6(23)	(89,387)	(1)	(122,232)	(2)
7070	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method		823,970	12	(579,979)	(9)
7000	**Total non-operating income and expenses**		557,588	9	(445,808)	(7)
7900	Profit (loss) before income tax		491,044	8	(1,009,101)	(15)
7950	Income tax expenses	6(25)	(60,840)	(1)	(119,243)	(2)
8200	**Profit (loss) for the year**		$ 430,204	7	($ 1,128,344)	(17)
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligation	6(15)	$ 6,458	-	$ 54,972	1
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(3)(19)	(8,559)	-	-	-
8330	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income (loss) that will not be reclassified to profit or loss		1,485	-	230	-
8349	Income tax related to components of other comprehensive that will not be reclassified to profit or loss	6 (25)	1,645	-	(9,384)	-
8310	**Total amounts of other comprehensive income that will not be reclassified to profit or loss**		1,029	-	45,818	1
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements	6(19)	96,280	1	(169,409)	(2)
8362	Unrealized gain on available-for-sale financial assets	6(19) and 12(4)	-	-	(57,498)	(1)
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income (loss) that will be reclassified to profit or loss	6(19)	(2,049)	-	12,307	-
8360	**Total amounts of other comprehensive income (loss) that will be reclassified to profit or loss**		94,231	1	(214,600)	(3)
8500	**Total Comprehensive Income**		$ 525,464	8	($ 1,297,126)	(19)
	Earnings (loss) Per Share					
9750	**Basic and diluted earnings(loss) per share**	6(26)	$	0.24	($	0.61)

The accompanying notes are an integral part of parent company only financial statements.

Chairman：WONG, MING-SEN Manager：WONG, MING-SEN Accounting Supervisor：YANG, PI-YIN

CMC MAGNETICS CORPORATION
PARTENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

	Notes	Common shares	Additional paid-in capital	Unappropriated retained earnings	Other Equity Interest: Exchange differences on translation of foreign financial statements	Other Equity Interest: Unrealized gains or losses on financial assets at fair value through other comprehensive income	Other Equity Interest: Unrealized gains or losses on available-for-sale financial assets	Treasury stock	Total
For the year ended December 31, 2017									
Balance at January 1, 2017		$ 18,778,715	$ 7,170,157	($ 5,199,745)	($ 39,305)	$ -	$ 45,875	($ 169,070)	$ 20,586,627
Loss for the year		-	-	(1,128,344)	-	-	-	-	(1,128,344)
Other comprehensive loss for the year	6(19)	-	-	45,818	(170,348)	-	(44,252)	-	(168,782)
Total comprehensive income for the year		-	-	(1,082,526)	(170,348)	-	(44,252)	-	(1,297,126)
Increase in treasury stock	6(16)	-	-	-	-	-	-	(200,980)	(200,980)
Decrease in treasury stock	6(16)(17)	(472,240)	271,260	-	-	-	-	200,980	-
Changes in ownership interest in subsidiaries		-	-	(11,248)	-	-	-	-	(11,248)
Balance at December 31, 2017		$ 18,306,475	$ 7,441,417	($ 6,293,519)	($ 209,653)	$ -	$ 1,623	($ 169,070)	$ 19,077,273
For the year ended December 31, 2018									
Balance at January 1, 2018		$ 18,306,475	$ 7,441,417	($ 6,293,519)	($ 209,653)	$ -	$ 1,623	($ 169,070)	$ 19,077,273
Effect of retrospective application and restatement		-	-	208,289	-	(175,923)	(1,623)	-	30,743
Balance at January 1, after adjustments		18,306,475	7,441,417	(6,085,230)	(209,653)	(175,923)	-	(169,070)	19,108,016
Profit for the year		-	-	430,204	-	-	-	-	430,204
Other comprehensive income (loss) for the year	6(19)	-	-	15,664	94,231	(14,635)	-	-	95,260
Total comprehensive income		-	-	445,868	94,231	(14,635)	-	-	525,464
Increase in treasury stock	6(16)	-	-	-	-	-	-	(545,994)	(545,994)
Decrease in treasury stock	6(16)(17)	(565,211)	101,250	-	-	-	-	463,961	-
Changes in ownership interest in subsidiaries	6(17)	-	103	(21,185)	-	-	-	-	(21,082)
Disposal of financial assets at fair value through other comprehensive income	6(3)(19)	-	-	(10,805)	-	10,805	-	-	-
Balance at December 31, 2018		$ 17,741,264	$ 7,542,770	($ 5,671,352)	($ 115,422)	($ 179,753)	$ -	($ 251,103)	$ 19,066,404

The accompanying notes are an integral part of parent company only financial statements.

Chairman：WONG, MING-SEN　　Manager：WONG, MING-SEN　　Accounting Supervisor：YANG, PI-YIN

CMC MAGNETICS CORPORATION

PARTENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

	Notes	2018	2017
Cash flows from operating activities			
Profit (loss) before incme tax		$ 491,044	($ 1,009,101)
Adjustments			
Income charges (credits)			
Depreciation and amortization	6(8)(24)	658,531	897,826
Depreciation of investment properties (showed as Other gains and losses)	6(9)(22)	21,883	19,421
Gain on expected credit of impairment		(17,831)	-
Bad debt provision of allowance for doubtful accounts		-	16,015
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(13)(22)	300,120	(49,157)
Impairment losses of non-financial assets	6(22)	95,980	-
Interest expense	6(23)	72,787	92,634
Interest income	6(21)	(23,199)	(20,986)
Dividend income	6(21)	(42,940)	(51,102)
Share of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(823,970)	579,979
Gain on disposal of property, plant and equipment	6(22)	(6,717)	(4,352)
Gain on disposal of investments	6(22)	-	(101,155)
Realized loss from inter-affiliate accounts		9,570	12,904
Unrealized loss from inter-affiliate accounts		(2,022)	(9,570)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets held for trading		-	(588,069)
Financial assets mandatorily measured at fair value through profit or loss		(514,598)	-
Notes receivable (including related and non-related parties)		2,724	(733)
Accounts receivable (including related and non-related parties)		253,344	(82,583)
Other receivables (including related and non-related parties)		(126,575)	(38,125)
Inventories		(103,439)	250,808
Other current assets		82,322	18,475
Changes in operating liabilities			
Financial liabilities held for trading		(15,829)	(12,471)
contract liability- current		(98,190)	-
Notes and accounts payable (including related and non-related parties)		(75,814)	175,278
Other payables (including related and non-related parties)		54,455	3,616
Other current liabilities		(45,387)	57,140
Pension liabilities		(13,129)	(4,802)
Cash inflow generated from operations		133,120	151,890
Receipt of interest		23,208	21,114
Receipt of dividend		124,964	124,645
Payment of interest		(72,257)	(93,817)
Payment of income tax		(2,238)	(1,937)
Net cash generated by operating activities		206,797	201,895

(Continued)

CMC MAGNETICS CORPORATION

PARTENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Expressed in thousands of New Taiwan Dollars

	Notes	2018	2017
Cash flows from investing activities			
Increase in fund accommodation receivable for related parties		($ 13,000)	($ 1,083,000)
Financial assets at fair value through other comprehensive income			
Capital reduction		4,963	-
Financial assets at fair value through other comprehensive income liquidation		1,276	-
Acquisition of available-for-sale financial assets		-	(895)
Proceeds from disposal of available-for-sale financial assets		-	254,790
Proceeds from disposal of financial assets at cost		-	324
Capital reduction of financial assets at cost		-	4,489
Acquisition of investments accounted for under equity method		(95,017)	(60,383)
Capital reduction of investments accounted for under equity method		484,352	155,028
Proceeds from disposal of property, plant and equipment		8,825	4,795
Decrease in other financial assets		2,226	690,279
Decrease (increase) in refundable deposits		55	(115)
Increase in other noncurrent assets		(8,428)	(28,420)
Increase in prepayment for equipment	6(28)	(96,398)	(57,958)
Net cash generated by investing activities		288,854	(121,066)
Cash flows from financing activities			
Increase (decrease) in short-term loans		220,000	(227,244)
Increase (decrease) in fund accommodation payable from related parties	6(29)	1,400,000	(128,880)
Increase in long-term loans	6(29)	1,490,000	3,240,000
Repaymant in long-term loans	6(29)	(1,970,560)	(3,344,440)
Increase (decrease) in guarantee deposit received		3,678	(1,020)
Cost of treasury stock	6(16)	(538,632)	(200,980)
Net cash generated by financing activities		604,486	(662,564)
Increase (decrease) in cash and cash equivalents		1,100,137	(581,735)
Cash and cash equivalents at beginning of year		1,629,003	2,210,738
Cash and cash equivalents at end of year		$ 2,729,140	$ 1,629,003

The accompanying notes are an integral part of parent company only financial statements.

Chairman：WONG, MING-SEN　　Manager：WONG, MING-SEN　　Accounting Supervisor：YANG, PI-YIN

1. HISTORY AND ORGANISATION

CMC Magnetics corporation (the "Company" or "CMC") was established in the Republic of China (R.O.C.). The Company is primarily engaged in manufacturing and sales of consumer electronic products such as optical discs, etc. On February 17, 1992, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

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

These prent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, "Classification and measurement of share-based payment transactions"	January 1, 2018
Amendments to IFRS 4, "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"	January 1, 2018
IFRS 9, "Financial instruments"	January 1, 2018
IFRS 15, "Revenue from contracts with customers"	January 1, 2018
Amendments to IFRS 15, "Clarifications to IFRS 15 Revenue from contracts with customers"	January 1, 2018
Amendments to IAS 7, "Disclosure initiative"	January 1, 2017
Amendments to IAS 12, "Recognition of deferred tax assets for unrealised losses"	January 1, 2017
Amendments to IAS 40, "Transfers of investment property"	January 1, 2018
IFRIC 22, "Foreign currency transactions and advance consideration"	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, "First-time adoption of International Financial Reporting Standards"	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, "Disclosure of interests in other entities"	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, "Investments in associates and joint ventures"	January 1, 20187

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessments.

1. IFRS 9, "Financial instruments"
   (1) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to recognize the equity instrument not held for trading at fair value in other comprehensive income.
   (2) The impairment losses of debt instruments are assessed using an "expected credit loss" approach. An entity assesses at the end of each financial reporting period whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of loss allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
   (3) The Company expects to adopt International Financial Reporting Standards 9 (hereinafter called "IF RS 9") using the unedited former financial statement (hereinafter called "Modified Retrospective Approach "). For details of the significant effects of applying new standards as of January 1, 2018, please refer to Notes 12, 4(2) and (3).

2. IFRS 15, " Revenue from Contracts with Customers" and related amendments
   (1) IAS 11 – "Construction Contracts", IAS 18 – "Revenue" and its related interpretations and SICs will be replaced by IFRS 15 - "Revenue from Contracts with Customers". The revenue determined by standards should be recognized when customers obtain the control of goods or services. When they are capable of using the leading assets and obtaining nearly all the remaining benefits, it is indicated that they are in control of the goods or services.

   The core principle of IFRS 15 is that "the enterprise recognizes the income to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are designed for the entity to determine the time and amount of the revenue recognition based on the core principle:

   Step 1: Identify contracts with customers.

   Step 2: Identify performance obligation of the contract.

   Step 3: Determine the transaction price.

   Step 4: Distribute the transaction price to performance obligation of the contract.

   Step 5: Recognize revenue when (or along with) the entity meets its performance obligation.

In addition, IFRSs consist of a set of integrated disclosure rules that will enable entities to provide the users of financial statements with relevant comprehensive information on the revenue and the nature of cash flows, of the amount, and of the uncertainties generated by contracts with customers.

Under IFRS 15, the amount recognized by the entity shall be the consideration for which it is expected to be charged if the sales of goods are accompanied by the right of return. Thus, the recognized amount for income excludes expected returned goods. The entity will recognize refund liability and an asset to commend the right of the goods withdrawal from customers. The asset and refund liability shall be expressed separately in the balance sheet.

(2) The Group adopted the unedited former financial statement and recognized the cumulative impact of the initial application as unappropriated capital surplus (hereinafter called "Modified Retrospective Approach") on January 1, 2018 when it first applied the International Financial Reporting Standard 15 (hereinafter called IFRS 15). It adopted transition options under IFRS 15 as a practical expedient and conducted a retrospective application of IFRS on incomplete contracts on January 1, 2018. The significant impact regarding a modified retrospective transition approach on January 1, 2018 is summarized below:

Expressions of assets and liabilities in relation to contracts with customers

As it is applicable to the related rules of IFRS 15, the expressions of some accounting items in the balance sheet amended by the Group are as follows:

Under IFRS 15, liabilities relating to sales contracts are recognized as contract liabilities, different from advance receipts (shown as other current liabilities) as previously presented in the balance sheet. As of January 1, 2018, the balance amounted to NT$192,076.

(3) For details of explanation regarding disclosure of first-time IFRS 15 adoption, please refer to Note 12(5).

3. Amendments to IAS 40, "Transfer of Investment Property" The amendment clarifies that when it is changed only by use, it can be transferred to or transferred from investment property. The change of property in use should consider whether the property still conforms to the definition of investment property and whether there is evidence to prove its change of use. If there is only a change of the intention of using the property by management, it is not sufficient to support the change of use as evidence. In addition, new examples of proving changes in use are being added in the amendment, including property in construction or development (fully-constructed property is not required). When property is being transferred for own use, it can be transferred to self-use property, and inventories can be transferred to investment property after commencement of the tenancy.

4. Amendments to IAS 7, "Disclosure Initiative"
The amendment requires entities to increase the disclosure of changes in liabilities regarding (from) financing activities, including changes of cash and non-cash.

The assessed amendment will enable the Company to increase the disclosure of changes in liabilities regarding (from) financing activities.

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Company

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.

The Company expects to recognise the lease contract of lessees in line with IFRS 16 using the modified retrospective approach. The effects will be adjusted on January 1, 2019, and it is expected that both 'right-of-use asset' and lease liability will be increased by NT$33,151.

(3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC

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

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

The above standards and interpretations have no significant impact to the Company's financial

condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These separate financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

(2) Basis of preparation

1. Except for the following significant items, these separate financial statements have been prepared under the historical cost convention:
   (A.) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   (B.) Financial assets and available-for-sale financial assets at fair value through other comprehensive income.
   (C.) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3. The Company first applied IFRS 9 and IFRS 15 on January 1, 2018 by adopting a modified retrospective approach to recognize the difference in conversion as unappropriated capital surplus or other equity on January 1, 2018. It did not reedit the financial statements and notes for the year ended December 31, 2017. The financial statements for the year ended December 31, 2017 were prepared in accordance with International Accounting Standard 39 (hereinafter called IAS 39), International Accounting Standard 11 (hereinafter called IAS 11), International Accounting Standard 18 (hereinafter called IAS 18), their related interpretations and SICs. For explanation on adopted significant accounting policies and significant accounting items, please refer to Notes 12(4) and (5).

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and presentation currency.

1. Foreign currency transactions and balances

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

(2) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the end of the financial reporting period. Exchange differences arising upon re-translation are recognized in profit or loss.

(3) Non-monetary assets and liabilities denominated in foreign currencies at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(4) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “Other gains and losses”.

2. Translation of foreign operations

(1) The operating results and financial position of all the subsidiaries and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

A. Assets and liabilities for each balance sheets presented are translated at the closing exchange rate at the end of the financial reporting period;

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

C. All resulting exchange differences are recognized in other comprehensive income.

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

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

(4)Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:
   (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
   (2) Assets held mainly for trading purposes;
   (3) Assets that are expected to be realized within 12 months from the end of the financial reporting period;
   (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

   Otherwise they are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be paid off within the normal operating cycle;
   (2) Liabilities arising mainly from trading activities;
   (3) Liabilities that are to be paid off within 12 months from the end of the financial reporting period;
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the end of the financial reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

   Otherwise they are classified as non-current liabilities.

(5)Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

(6)Financial assets at fair value through profit or loss

Effective 2018

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. Financial assets at fair value through profit or loss are initially recognized at fair vale. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any profit or loss of these financial assets are recognized in profit or loss.
4. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the

amount of the dividend can be measured reliably.

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

Effective 2018

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income; or debt instrument investment that meets the following criteria:

   (1) The objective of financial assets within a business model is achieved by collecting contractual cash flows and sale.
   (2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
   (1) The changes in fair value of equity investments that are recognized in other comprehensive income are reclassified to retained earnings. When the equity instruments are derecognized the cumulative gain or loss previously recognized in other comprehensive income is not reclassified from equity to profit or loss. Dividends are recognized as revenue when the Company's right to receive payment is established, it is probable the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
   (2) The changes in fair value of equity investments that were recognized in other comprehensive income shall be reclassified from equity to profit or loss following the derecognition of the investment. Before the derecognition of the investment, impairment loss, the income of interest, and gains and losses on foreign currency exchange are recognized in other comprehensive income.

(8) Notes and accounts receivable

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

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

3. The Company expects that the business model of accounts receivable factoring will be for sale on purpose, and subsequently measures the financial assets at fair value and recognizes the changes as current profit or loss.

(9)Impairment of financial assets

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

(10) Exclusion of financial assets

The Company will exclude financial assets when one of the following conditions is met:

1. The contractual right of receiving cash flows from financial assets loses efficiency.
2. The contractual right of receiving cash flows from financial assets is transferred, and almost all risks and rewards of ownership of financial assets have been transferred.
3. The contractual right of receiving cash flows from financial assets is transferred, and the control of financial assets is not retained only.

(11) Inventories

Inventories shall be measured at the lower of cost or net cash realizable value, of which the cost shall be calculated with moving average method. The cost of manufactured goods and work in progress includes raw materials, direct labor, other direct costs and production-related manufacturing expenses (apportioned by normal capacity), excluding borrowing costs. When comparing the lower of the cost and the net cash realizable value, the item-by-item comparison method shall be adopted. The net cash realizable value means the balance of estimated selling price in the ordinary course of business minus the estimated cost to be invested for completion and the related variable selling expenses.

(12) Equity-based investment-subsidiaries and its affiliated enterprise

1. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.

4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
5. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss, when the Company loses control of a subsidiary.
6. Affiliated enterprise refers to individual that the Company has significant influence on but without control, of which the Company generally holds more than 20% of the voting rights directly or indirectly. The Company adopts the equity method for the investment in affiliated enterprise, which shall be recognized at cost during the acquisition.

7. The Company recognizes the profit or loss share after acquisition of affiliated enterprise as current profit or loss, and recognizes other consolidated profit or loss share after acquisition as other consolidated profit or loss. If the Company's loss shares to any affiliated enterprise equal to or exceed its equities in the affiliated enterprise (including any other unsecured accounts receivable), the Company shall not recognize further loss unless the Company has statutory obligation, constructive obligation or payment on its behalf to the affiliated enterprise.

8. The Company recognizes all changes in equity as " Additional paid-in capital " in proportion to the shareholding ratio when there is a change in non-profit or loss and non-other consolidated profit or loss equity of the affiliated enterprise, which does not affect the shareholding ratio of the affiliated enterprise.

9. Unrealized profit or loss arising from transactions between the Group and affiliated enterprise has been eliminated in ratio of equity to affiliated enterprise; unrealized loss shall be eliminated also unless there is evidence showing that the transferred assets of transaction have been impaired. The accounting policies of affiliated enterprise have been adjusted as necessary in line with the policies adopted by the Group.

10. When affiliated enterprise issues new shares in addition, if the Group does not subscribe for or acquire in proportion, resulting in a change in the investment proportion but still having significant impact on it, the increase or decrease in net value of equity shall be subject to adjustment of "capital reserve" and "equity-based investment". If the proportion of investment decreases, in addition to the above adjustments, gains or losses related to the reduction of ownership interest that has previously been recognized in other consolidated profit or loss, and that is required to be reclassified to profit or loss when disposing of the relevant asset or liability, shall be reclassified to profit or loss in proportion to the reduction.

11. When the Company loses the significant impact on the affiliated enterprise, the remaining investment in the original affiliated enterprise shall be re-measured at fair value, and the difference between the fair value and carrying amount shall be recognized as the current profit

or loss.

12. When the Company disposes of the affiliated enterprise, in the event of losing the significant impact on the affiliated enterprise, if the accounting treatment is the same with the basis of the Group's directly disposing of relevant asset or liabilities, all amounts previously recognized to other consolidated profit or loss related to the affiliated enterprise shall be reclassified to profit or loss as gains or losses previously recognized as consolidated profit or loss, which is that the gains or losses shall be classified to profit or loss from equity, when losing the significant impact on the affiliated enterprise. If there is still significant impact on the affiliated enterprise, the amount previously recognized in other consolidated profit or loss shall be transferred out in the manner described above in proportion.

13. When the Company disposes of the affiliated enterprise, if losing the significant impact on the affiliated enterprise, transfer the capital reserve related to the affiliated enterprise to profit or loss; if it still has significant impact on the affiliated enterprise, the profit or loss shall be transferred in the proportion of disposition.

14. According to “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(13) Property, plant and equipment

1. For property, plant and equipment, acquisition cost shall be taken as accounting basis, and the relevant interests shall be capitalized during the period of purchase and construction.

2. After-cost can be included in the carrying amount of asset or recognized as an individual asset only if the future economic benefits associated with the item are likely to flow into the Group and the cost of the item can be measured reliably. The carrying amount of the reset part shall be excluded. All other maintenance costs used during the occurrence shall be recognized as current profit or loss.

3. Subsequent measurements of property, plant and equipment shall be based on the cost model. Except for land, whose depreciation shall not be calculated and distilled, depreciation shall be calculated and distilled on the basis of straight-line in accordance with estimated durable period for others. If various components of property, plant and equipment are significant, depreciation shall be set aside individually.

4. The Company shall view the residual value, durable period and depreciation method of various assets at the closing day of each financial year. If the expected values of residual value and durable period are different from the previous estimate, or if there has been a significant change in the expected consumption form of future economic benefits contained in the asset, the Group shall handle in accordance with International Accounting Standards No.8 "Changes and Errors in Accounting Policies and Accounting Estimates" of provisions for changes in accounting estimates. The durability of each asset is as follows:

Buildings and structures	2 ～ 50 years
Machinery and equipment	2 ～ 11 years
Others	2 ～ 24 years

(14) Operating leases (lessee)

Payments of operating lease less any inducements collected from the lessor amortized during the lease term on the straight-line basis shall be recognized as current profit or loss.

(15) Investment property

Investment property shall be recognized at acquisition cost, and cost measurement shall be adopted for subsequently measurement. Except for land, depreciation shall be set aside on the straight-line basis according to estimated durable period, and the durable period shall be 10~50 years.

(16) Intangible assets

1. Royalty paid for acquiring patent shall be amortized evenly according to the estimated benefit year or the contractual period.

2. The computer software shall be recognized at acquisition cost and amortized on a straight-line basis according to the estimated or contracted economic life.

(17) Other assets-office ornaments

It refers to the purchase of antiques such as paintings and sculptures displayed in the Company, for which the acquisition cost is taken as accounting basis. Depreciation shall be not calculated and distilled at ordinary times, and the cost shall be written off at the time of actual disposition.

(18) Impairment of non-financial assets

1. The Company shall estimate the recoverable amount of the assets with indication of impairment at the balance sheet date. When the recoverable amount is lower than the book value, the impairment losses shall be recognized. The recoverable amount means the higher of an asset's fair value minus disposal cost or use value. Except for goodwill, when the impairment of assets recognized in the previous year does not exist or decreases, the impairment loss shall be reversed. Only if the carrying amount of the asset increased by reverse of impairment loss does not exceed the carrying amount of the asset whose impairment loss is not recognized, depreciation or amortized carrying amount shall be deducted.

2. The recoverable amount shall be estimated periodically for goodwill, intangible assets with non-determinable durable life and intangible assets not yet available for use. Impairment losses shall be recognized when the recoverable amount is lower than its book value. Impairment losses from impairment of goodwill shall not be reversed in subsequent years.

3. Goodwill shall be allocated to cash generating units for impairment testing purposes. The allocation is to allocate goodwill to cash-generating units or cash-generating unit groups that are expected to benefit from the consolidation of enterprises that may generate goodwill according to the identification by the operating department.

(19) Loans

1. It refers to the long-term and short-term funds loans from the bank. At the time of original recognition, the Group shall recognize interest expenses to profit or loss on any difference between the price after deducting transaction costs and the redemption value at its fair value minus transaction costs adopting effective interest method and amortization procedure during the circulation period.

2. When it is likely to withdraw some or all of borrowing limit, the expenses incurred in setting up the loans limit shall be recognized as transaction cost of loans, and deferring it to the time of occurrence of disbursement shall be recognized as the adjustment of effective interest rate; when it is unlikely to withdraw some or all of the loans limit, the expenses shall be recognized as the prepayment and amortized within the limit related to the loans limit.

(20) Accounts and notes payable

1. It refers to debts incurred in the purchase of raw materials, commodities or labor services on account and notes payables arising from business and non-business.

2. Short-term accounts and notes payable representing unpaid interest shall be measured with the original invoice amount as the discount effect is not significant.

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

1. It refers to financial liabilities incurred primarily for the purpose of near-term sale or repurchase and held for transaction other than derivative instruments designated as hedging instruments under hedge accounting.

2. The Company recognizes the relevant transaction costs to profit or loss at fair value at the time of original recognition, and subsequently recognizes its gains and losses to profit or loss at fair value.

(22) Exclusion of financial liabilities

The Company shall exclude financial liabilities at the time of performance, cancellation or maturity of the obligations contained in the contract.

(23) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Non-hedging derivatives

The non-hedged derivatives are measured at fair value on the day when the contract is signed at the time of original recognition. The gains and losses of accounting financial assets or liabilities at fair value through profit or loss are subsequently recognized to profit or loss at fair value.

(25) Employee benefits

1. Short-term employee benefits
   Short-term employee benefits shall be measured at the non-discounted amount of expected payment and recognized as expenses when the relevant services are provided.
2. Pensions
   (1) Defined contribution plan
   For defined contribution plan, the amount of the pension fund to be set aside shall be recognized on the basis of actual occurrence as the current period pension costs. The advance contributions shall be recognized as the asset to the extent that cash is refundable or future payments is reduced.
   (2) Defined benefit plan
      A. The net obligation of defined benefit plan shall be calculated by discounting the future amount of welfare earned by the employee from current or past service, and deducting the fair value of the plan assets from the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation shall be calculated annually by the actuary with the projected unit benefit method, and the discount rate shall be determined by reference to market yield of high-quality corporate bonds with consistent currency and period of the defined benefit plan at the balance sheet date; In countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (at the balance sheet date) shall be used.
      B. Re-measurement generated from defined benefit plan shall be recognized in other consolidated profit or loss in the current period of occurrence and be expressed in retained surpluses.
      C. Relevant Expense of prior service cost shall be immediately recognized as profit or loss.
   (3) Separation benefit
   Separation benefit refers to the benefit provided when the employment of employee is terminated before the normal retirement date or when the employee decides to accept the Company's offer of benefits in exchange for termination of employment. The Group shall recognize the expenses at the time of the earlier of cannot revoking the offer of separation benefit or recognizing the relevant restructuring costs. Benefits that are not expected to be fully paid off within 12 months after the balance sheet date shall be discounted.

   (4) Employee’s remuneration and director’s remuneration
   Employee’s remuneration and director’s remuneration shall be recognized as expenses and liabilities when there is legal or constructive obligation and the amount can be reasonably estimated. Afterwards, when there is difference between the actual allotment amount and the estimated amount, the resolution shall be handled in accordance with change in accounting estimate. In addition, if employee remuneration is paid in shares, the closing price on the day before the date of the board resolution shall be the basis for calculating the number of shares.

(26) Income tax

1. Income tax expense includes current and deferred income tax. Except that the income tax related to the items recognized in other consolidate profit or loss or directly recognized in equity shall be separately recognized in other consolidated profit or loss or directly recognized in equity, the income tax shall be recognized in profit or loss.

2. The Company shall calculate the current income tax on the basis of the tax rates enacted or materially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management echelon shall periodically assess the status of income tax declaration with respect to applicable income tax regulations, and assess income tax liabilities based on anticipated tax payments to tax authorities in applicable condition. For income tax imposed on undistributed earnings in accordance with the Income Tax Act, the income tax expense of undistributed earnings shall not be recognized until the shareholders' meeting passes the appropriation of earnings in the following year after the earnings arise according to the actual appropriation status of earnings.

3. Deferred income tax shall be recognized according to the tax basis of assets and liabilities and the temporary differences generated from the carrying amount in the consolidated asset balance sheet with the method of balance sheet. Deferred income tax liabilities arising from goodwill from original recognition shall not be recognized. If deferred income tax is derived from the original recognition of assets or liabilities in the transaction (excluding the business combination) and does not affect accounting profits or taxable income (taxable losses) at the time of the transaction, it shall not be recognized. For the temporary differences arising from investment subsidiaries, if the Group can control the timing of the reversal of temporary differences and the temporary differences are likely to be no reversed in the foreseeable future, they shall not be recognized. Deferred income tax shall be subject to the tax rates (and tax act) that have been legislated or materially legislated at the balance sheet date and are expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.

4. Deferred income tax assets shall be recognized to the extent that temporary differences are likely to be used for deducting the future taxable income, and the unrecognized or recognized deferred income tax assets shall be reappraised at each balance sheet date.

5. The current income tax assets and current income tax liabilities shall be offset against each other only when there is statutory enforcement power to offset the amount of recognized current income tax assets and liabilities and there is intention to settle or simultaneously realize the assets and settlement of liabilities on the net basis; the deferred income tax assets and liabilities shall be offset against each other only when there is statutory enforcement power to offset current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer whose income tax are imposed by the same tax authority or by different taxpayers but each taxpayer intends to settle or simultaneously realize the assets and settlement of liabilities on a net basis.

6. The late part of unused income tax credit deduction arising from purchases of equipment or technology, research and development expenditures, and equity investments shall be

recognized as deferred income tax assets to the extent that there is a high probability that future taxable income will be available for the unused income tax credits.

(27) Share Capital

1. Common shares shall be classified as equity. The net after-tax value of incremental costs directly attributable to issue of new shares or subscription rights shall be listed as the price deduction in the equity.

2. When the Company repurchases the issued shares, the paid consideration, including any directly attributable incremental costs, shall be recognized as the deduction of shareholders' equity on the net after-tax basis. Upon subsequent reissue of the repurchased shares, the received consideration deducting any directly attributable incremental cost and the difference with the book value after income tax effect shall be recognized as the adjustment of shareholders' equity.

(28) Revenue recognition

Commodity sales

1. The Company mainly manufactures and sells consumer electronic products such as optical discs. Sales revenue shall be recognized when the control of the product is transferred to the customers, which is when the product is delivered to the customers, the customers have the discretionary power over the access and price of production marketing and the Group has no outstanding performance obligations that may affect the customers' acceptance of the products. The delivery of the commodity shall not take place only when the product is shipped to a designated place, the risk of obsolescence and loss are transferred to the customer, and the customer accepts the product in accordance with the sales contract, or there is objective evidence showing that all acceptance criteria have been met.

2. Sales revenue of products shall be recognized at the contract price. The amount of revenue recognition is limited to the part whose future height is unlikely to reverse significantly, and the collection terms of sales transaction normally expire 30 days after the delivery date. As the time interval between the transfer of the committed commodities or services to the customer and the payment by the customer is less than one year, the Group does not adjust the transaction price to reflect the time value of currency.

3. Accounts receivable shall be recognized at the time of delivering the commodities to the customer, as the Group has the unconditional right to the contract price from that point and can collect consideration from the customer only over time.

5. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Company prepares the consolidated financial report, management echelon has exercised its judgment to determine the accounting policies to be adopted and has made accounting estimates and assumptions based on reasonable expectations of future events in the circumstances prevailing at the balance sheet date. Significant accounting estimates and assumptions made may differ from actual results and will be assessed and adjusted continuously considering historical experience and other factors. These estimates and assumptions have the risk of causing significant adjustments to the carrying amount of assets and liabilities in the next financial year. Please notice the following explanations of uncertainty in significant accounting judgments, estimates and assumptions:

(1) Significant judgments adopted in accounting policies

None.

(2) Significant accounting estimates and assumption

1. Assessment of impairment of tangible assets and intangible assets (except goodwill)

In the process of asset impairment assessment, the Group shall rely on subjective judgment, asset consumption patterns and industry characteristics to determine the independent cash flows, durability of assets and possible future gains and losses for specific asset groups. Any changes in estimates from changes in economic conditions or changes in Group strategy are likely to result in significant future impairments.

2. Evaluation of inventories

As inventories shall be valued at the lower of cost and net realized value, the Company must use judgment and estimation to determine the net realized value of inventories at the balance sheet date. Because of rapid technological change, the Group shall assess the amount of inventory at the balance sheet date due to normal loss, obsolescence or no market sales value, and reduce the cost of inventory to net realized value. The inventory assessment shall be primarily based on product demand during future specific period, as a result significant changes may be generated.

3. Loss assessment of accounts receivable

In the process of assessment of allowance for loss, the Company must use judgment and estimation to determine the future recoverability of accounts receivable. Future recoverability is affected by a number of factors, such as the customer's financial status, historical records of transactions, and current economic conditions, which may affect the customer's ability of payment. The Company is required to individually assess the possibility of recovery and make appropriate allowances for the amount, when there are doubts for its recoverability. This allowance is assessed on the basis of reasonable expectations of future events in the circumstances prevailing at the balance sheet date. Only if the actual results may differ from the estimates, significant changes may be generated.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTING ITEMS

(1) Cash and cash equivalents

	2018/12/31	2017/12/31
Cash on hand and petty cash	$ 499	$ 510
Check deposit and current deposit	2,698,641	1,596,267
Time deposits	30,000	32,226
Total	$ 2,729,140	$ 1,629,003

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. Cash and cash equivalents pledged to loans and guaranteed to letter of credit, and were classified as other financial assets. Please refer to Note 8 for details.

(2) Financial assets at fair value through profit or loss

Applicable in 2018

Items	2018/12/31
Current items:	
Financial assets compulsorily measured at fair value through profit or loss	
Listed and OTC stocks	$ 1,824,399
Assessment adjustment	(91,826)
Total	$ 1,732,573
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	$ 239,970
Valuation adjustment	72,030
Total	$ 312,000

1. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	For the year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Equity instruments	($ 288,832)
Derivatives	4,419
Total	($ 284,413)

2. Please notice Note 8 for details of the situation of the Group providing financial assets at fair value through profit or loss for pledge security.
3. Please notice Note 12 (2) for details of the credit risk information of financial assets at fair value through profit or loss.
4. Please notice Note 12 (4) for information of financial assets at fair value through profit or loss for the year 2017.

(3) Financial assets at fair value through other consolidated profit or loss

Applicable in 2018

Items	2018/12/31
Non-current items:	
Equity instruments	
Unlisted, non-OTC and emerging shares	$ 40,920
Assessment adjustment	(9,060)
Total	$ 31,860

1. The Company chose to classify equity instrument investments belonging to strategic investments as financial assets at fair value through other consolidated profit or loss, whose fair value was $31,860 on December 31, 2018.
2. The details of financial assets at fair value through other consolidated profit or loss recognized in profit or loss and consolidated profit or loss are shown as follows:

Equity instruments at fair value through other consolidated profit or loss	For the year ended December 31, 2018
Changes in fair value recognized in other consolidated profit or loss	($ 8,559)
Accumulated loss transferred to loss to be recovered by exclusion	$ 10,805

3. Without regard to held collateral or other credit enhancement, the maximum exposure amount of credit risk was $31,860 on December 31, 2018, which can represent the financial assets at fair value through other consolidated profit or loss held by the Company the most.
4. The Company does not have the circumstance of providing financial assets at fair value through other consolidated profit or loss as ledge security.
5. Please notice Note 12 (2) for details of the relevant credit risk information of financial assets at fair value through other consolidated profit or loss.
6. Please notice the description in Note 12 (4) for information of available-for-sale financial assets and financial assets measured at cost for the year 2017.

(4) Notes and accounts receivable

	2018/12/31	2017/12/31
Notes receivable	$ 1,202	$ 3,604
Less: allowance for loss	(12)	(36)
	$ 1,190	$ 3,568
Accounts receivable	$ 1,137,396	$ 1,471,088
Less: allowance for loss	(25,918)	(27,076)
	$ 1,111,478	$ 1,444,012

1. The aging analysis of the accounts and notes receivables (including the related party) is as follows:

	2018/12/31		2017/12/31	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$ 1,053,648	$ 9,880	$ 1,272,539	$ 12,604
Within 30 days	47,550	-	101,902	-
31 to 90 days	109,718	-	100,738	-
91 to 180 days	20,003	-	56,609	-
Over 180 days	18,512	-	14,026	-
	$ 1,249,431	$ 9,880	$ 1,545,814	$ 12,604

The above is the ageing analysis based on the number of overdue days.

2. Without regard to held collateral or other credit enhancement, the maximum exposure amount of credit risk was $1,233,381 on December 31, 2018 and$1,531,306 on December, 2017, which can represent the accounts and notes receivable (including the related party) of the Company the most.
3. The Company does not have the circumstance of providing accounts and notes receivable as ledge security.
4. Please notice Note 12 (2) for details of the relevant credit risk information of accounts and notes receivable.

(5) Transfer of financial assets

The Company signs factoring accounts receivables agreement with EnTie Bank and Taipei Fubon Bank. Under the agreement, the Group is not required to bear the risk that the transferred accounts receivable could not be recovered but only to bear the losses arising from commercial disputes. The Group does not have continuous participation in the transferred accounts receivable. Therefore, the Group excludes the factoring accounts receivables, whose relevant unexpired information is shown as follows:

Unit: In Thousand

December 31, 2018				
Factoring accounts receivable amount	Exclusion amount	Limit	Advanced amount	Interest rate range of advanced amount
USD 13,988	USD 13,988	USD 22,000	USD 7,052	4.28%~4.35%

Unit: In Thousand

December 31, 2017				
Factoring accounts receivable amount	Exclusion amount	limit	Advanced amount	Interest rate range of advanced amount
USD 16,400	USD 16,400	USD 46,000	USD 8,020	2.9%~3.5%

(6) Inventories

	2018/12/31	2017/12/31
Raw materials	$ 229,895	$ 250,099
Work in process	361	405
Manufactured goods	319,806	283,552
Commodity inventory	317,997	287,021
Inventory in transit	56,457	-
Total	$ 924,516	$ 821,077

1. Inventory cost recognized as expense loss by the Group for the current period:

	Year ended December 31,2018	Year ended December 31,2018
Cost of inventory sold	$ 6,083,351	$ 6,537,794
Unamortized fixed manufacturing	27,502	49,746
(Gains on recovery) Loss from falling price	(16,961)	8,636
Others	(677)	(796)
	$ 6,093,215	$ 6,595,380

The Company recognized the recovery gain in the year 2018 from selling inventories of prior years with allocated loss from falling price.

(7) Equity-based investment

	2018/12/31	2017/12/31
CHC International Investment Corporation(CHC)	$ 6,184,959	$ 4,110,234
CMC Movie Corporation(CMC Movie)	188,561	196,058
CMC Entertainment Holding Corporation (CMC ENTERTAINMENT)	44,518	44,967
Asia1 International Corporation (Asia1)	(153,106)	(132,254)
Sumagh High Tech Corporation (Sumagh)	(47,850)	(27,106)
Sun Well Solar Corporation (Sun Well)	114,629	1,076,160
SUN Q Solar Corporation (SUN Q)	(23,799)	(26,629)
Transtouch Technology Inc. (Transtouch)	432,686	420,186
CMC Entertainment Hub Company (CMC ENTERTAINMENT HUB)	83,831	65,494
EMC Investment Holding Ltd. (EMC Investment Holding)	3,035,427	3,907,008
CIA Holding Corp.(CIA)	457,402	393,275
Deltamac (Taiwan) Co. Ltd (DELTAMAC)	158,607	165,892
Europa Magnetic Corp. Ltd(EMC)	-	(31)
Add：Credit balance of long-term investment was reclassified to other liabilities	224,755	186,020
Less：reclassified to treasury stock—subsidiaries held	-	(169,070)
	$ 10,700,620	$ 10,210,204

1. Subsidiaries

(1) Information about the Company's subsidiaries is provided in Note 4(3) of the 2018 consolidated financial statements.

(2) Information about the Company's non-proportional investment in investee's increase in capital as of the year ended 2018 and 2017 is provided in Note 6(29) of the 2018 consolidated financial statements.

(3) Information about the investments accounted for under equity method that was pledged to others as collaterals is provided in Note 8.

2. Associates

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

As of December 31,2018 and 2017, the carrying amount of the Company's individually immaterial associates amounted to $460,375 and $469,650,respectively

	For the years ended December 31,	
	2018	2017
Profit for the year	$ 356,817	$ 335,208
Other comprehensive loss for the year - net of income tax	(3,596)	(693)
Total comprehensive income for the year	$ 353,221	$ 334,515

(8) Property, plant and equipment

	Land	Buildings and Structures	Machinery and equipment	Others	Total
January 1, 2018					
Cost	$ 2,118,488	$ 2,888,483	$ 17,740,423	$ 23,027	$ 22,770,421
Accumulated depreciation and impairment	-	(1,352,989)	(15,389,699)	(12,908)	(16,755,596)
	$ 2,118,488	$ 1,535,494	$ 2,350,724	$ 10,119	$ 6,014,825
2018					
January 1	$ 2,118,488	$ 1,535,494	$ 2,350,724	$ 10,119	$ 6,014,825
Disposals	-	-	(2,424)	-	(2,424)
Reclassifications(Note)	-	(150,779)	57,898	12,585	(80,296)
Depreciation expense	-	(52,238)	(555,687)	(8,360)	(616,285)
Loss of impairment	-	-	(95,980)	-	(95,980)
December 31	$ 2,118,488	$ 1,332,477	$ 1,754,531	$ 14,344	$ 5,219,840
December 31,2018					
Cost	$ 2,118,488	$ 2,503,987	$ 13,646,977	$ 26,606	$ 18,296,058
Accumulated depreciation and impairment	-	(1,171,510)	(11,892,446)	(12,262)	(13,076,218)
	$ 2,118,488	$ 1,332,477	$ 1,754,531	$ 14,344	$ 5,219,840

	Land	Buildings and Structures	Machinery and equipment	Others	Total
January 1, 2017					
Cost	$ 2,118,488	$ 2,938,434	$ 25,534,110	$ 22,245	$ 30,613,277
Accumulated depreciation and impairment	-	(1,348,908)	(22,452,394)	(9,854)	(23,811,156)
	$ 2,118,488	$ 1,589,526	$ 3,081,716	$ 12,391	$ 6,802,121
2017					
January 1	$ 2,118,488	$ 1,589,526	$ 3,081,716	$ 12,391	$ 6,802,121
Disposals	-		- (1,392)		- (1,392)
Reclassifications	-	6,796	32,993	7,148	46,937
Depreciation expense	-	(60,828)	(762,593)	(9,420)	(832,841)
December 31	$ 2,118,488	$ 1,535,494	$ 2,350,724	$ 10,119	$ 6,014,825
December 31,2017					
Cost	$ 2,118,488	$ 2,888,483	$ 17,740,423	$ 23,027	$ 22,770,421
Accumulated depreciation and impairment	-	(1,352,989)	(15,389,699)	(12,908)	(16,755,596)
	$ 2,118,488	$ 1,535,494	$ 2,350,724	$ 10,119	$ 6,014,825

Note: It is mainly transferred from prepayment for equipment (tabulated other non-current assets) and transferred to investment property.

1. Capitalized amount and interest rate range of property, plant and equipment borrowing cost:

	2018	2017
Capitalized amount	$ 322	$ 128
Capitalized interest rate range	2.17%	2.54%

2. Please notice Note 6 (10) for details of impairment status of property, plant and equipment.

3. Please notice Note 8 for details of the relevant information of the Company providing property, plant and equipment for pledge security.

(9) Investment property

	Land	Buildings and Structures	Cost
January 1, 2018			
Cost	$ 63,362	$ 715,703	$ 779,065
Accumulated depreciation and impairment	-	(367,737)	(367,737)
	$ 63,362	$ 347,966	$ 411,328
2018			
January 1	$ 63,362	$ 347,966	$ 411,328
Reclassifications(Note)	-	158,400	158,400
Depreciation expense	-	(21,883)	(21,883)
December 31	$ 63,362	$ 484,483	$ 547,845
December 31, 2018			
Cost	$ 63,362	$ 985,360	$ 1,048,722
Accumulated depreciation and impairment	-	(500,877)	(500,877)
	$ 63,362	$ 484,483	$ 547,845

	Land	Buildings and Structures	Total
January 1, 2017			
Cost	$ 63,362	$ 737,111	$ 800,473
Accumulated depreciation and impairment	-	(369,724)	(369,724)
	$ 63,362	$ 367,387	$ 430,749
2017			
January 1	$ 63,362	$ 367,387	$ 430,749
Depreciation expense	-	(19,421)	(19,421)
December 31	$ 63,362	$ 347,966	$ 411,328
December 31, 2017			
Cost	$ 63,362	$ 715,703	$ 779,065
Accumulated depreciation and impairment	-	(367,737)	(367,737)
	$ 63,362	$ 347,966	$ 411,328

Note: It is mainly transferred from property, plant and equipment.

1. Rental income and direct operating expense of investment property:

	Year ended December31,	
	2018	2017
Rental income from investment property	$ 33,405	$ 27,296
Direct operating expense incurred in the investment property from which the current rental income is generated	$ 9,749	$ 19,421
Direct operating expense incurred in investment property from which no current rental income is generated	$ 12,134	$ -

2. The fair value of the investment property held by the Company was $2,258,491 and $927,671 as of December 31, 2018 and 2017, respectively, which was based on the transaction prices of similar properties in the same area.
3. Information about the investment property that were pledged to others as collaterals is provided in Note 8.

(10) Impairment of non-financial assets

1. The impairment losses recognized by the Company in 2018 and 2017 were $95,980 and $ $0 respectively, whose details are shown as follows:

	Year ended December 31,			
	2018		2017	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－machinery	$ 95,980	$ -	$ -	$ -

2. The recoverable amount of impairment testing was determined based on value-in-use and net disposal proceeds calculations as of the year ended December 31, 2018 and 2017. The discount rates for value-in-use estimation was as follows:

	2018/12/31	2018/12/31
Machinery and equipment	9.06%	5.52%

3. The wrote-off amount of accumulated impairment

	Year ended December 31,	
	2018	2017
Machinery and equipment	$ 485,227	$ 49,851

When the Company disposed the machine equipment, the Company shall write-off the amount of relevant accumulated impairment to calculate the disposal profit and loss as of the year ended December 31, 2018 and 2017.

(11) Other non-current assets

	2018/12/31	2017/12/31
Prepayments for equipment	$ 30,358	$ 2,197
Refundable deposits	6,332	6,387
Collection	553,999	570,648
Less: Allowance for bad debts	(553,999)	(570,648)
Other non-current assets-others	411,201	419,818
	$ 447,891	$ 428,402

(12) Short-term loans

Nature of loans	2018/12/31	2017/12/31
Loans from financial institution		
Credit loans	$ 250,000	$ 30,000
Interest rate range	2.02~2.22%	2.2%

The Short-term loans above had provided commercial papers amounted $1,754,555 and $2,290,840 for security as of the year ended December 31, 2018 and 2017, respectively.

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

Items	2018/12/31	2017/12/31
Current items:		
Financial liabilities held for trading		
Non-hazardous derivatives		
- Forward foreign exchange contract	$ -	$ 122

1. For the year ended December 31, 2018 and 2017, the Company has recognised the net loss of financial liabilities held for trading to $15,707 及 $4,414, respectively,
2. Information on transactions and contracts related to non-hedged derivative financial liabilities is as follows:

	2018/12/31		2017/12/31	
Derivative financial liabilities	Notional principal	Contract period	Notional principal	Contract period
Current items:				
Forward foreign exchange contracts	-	-	EUR 500,000	2017.12.21~ 2018.01.31
Forward foreign exchange contracts	-	-	JPY 56,365,000	2017.11.23~ 2018.01.31

Forward foreign exchange contracts

Forward foreign exchange transactions signed by the Company are forward transactions for purchase and sale of Euro and Japanese yen in advance, which are intended to avoid exchange rate risk of import and export prices, but hedge accounting is not applied.

(14) Long-term loans

	2018/12/31	2017/12/31
Loanss from financial institutions		
Secured loans	$2,789,000	$ 3,465,000
Credit loans	319,400	123,960
	3,108,400	3,588,960
Less: Long-term loans due within one year or one operating cycle	(1,139,940)	(1,104,940)
	$ 1,968,460	$ 2,484,020
Interest rate range	1.5%~2.5%	1.5%~2.7%

1. The Company signed a financing commitment agreement with Taishin International Commercial Bank in December 2015. During the 36 months from the date of initial use, the Company had borrowed a total amount of NTD 280 million and provided land and buildings as collateral. The principal shall be amortized every three months since March 2017, and the remaining principal shall be repaid in the last period. The main commitments of the Company are as follows:

   Total liabilities in annual and semi-annual consolidated financial statements shall not exceed 90% of net value; current assets shall not be less than 100% of current liabilities; interest coverage ratio (including depreciation expense and amortization expense) shall not be less than 250%.

   On December 31, 2018 and 2017, the outstanding balances of the Company's borrowings were $ 120,000 and $ 200,000 respectively.

2. The Company signed a financing commitment agreement with joint credit banks like Taipei Fubon Commercial Bank in March 2017. During the 36 months from the date of initial use, the Company has borrowed a total amount of NTD 2.1 billion and provided land and buildings as collateral. The principal shall be amortized every three months since March 2018, and the remaining principal shall be repaid in the last period. The main commitments of the Company are as follows:

   Ttotal liabilities during the contract period shall not exceed 90% of tangible net value; current assets shall not be less than 100% of current liabilities, and interest coverage ratio (including depreciation expense and amortization expense) shall not be less than 250%.

   On December 31, 2018 and 2017, the outstanding balances of the Company's borrowings were $ 1,470,000 and $ 2,100,000 respectively.

3. The Company signed a financing commitment agreement with O-Bank in April 2018. During the 36 months from the date of initial use, the Company has borrowed a total amount of NTD 200 million. The principal shall be amortized every six months since November 2019, and the remaining principal shall be repaid in the last period. The main commitments of the Company are as follows:

   The current ratio during the contract period shall be maintained at or above 100%

(included); the debt ratio shall not be higher than 120% and the interest coverage ratio (including depreciation expense and amortization expense) shall not be less than 250%. The outstanding balance of the Company's borrowings on December 31, 2018 was $ 200,000.

4. The remaining borrowings shall be amortized during the repayment period from 2016 to 2022.

5. Please refer to Note 8 for details of the securities of long-term borrowings.

6. Details of the Company's unused borrowings on December 31, 2018 and 2017 are as follows:

	2018/12/31	2017/12/31
Due more than one year	$ 360,000	$ 430,000

(15) Pensions

1. (1) In accordance with the "Labor Standards Act", the Company and its domestic subsidiaries have defined benefit retirement plans applicable to all length of service of regular employees before the implementation of the Labor Pensions Ordinance on July 1, 2005, and to the follow-up length of service of employees who elect to continue to apply the Labor Standards Act after the implementation of the Labor Pensions Ordinance. If the employee is eligible for retirement, the payment of pension shall be calculated on the basis of length of service and the average salary of the 6 months before retirement. For the length of service within and including 15 years, two bases shall be given for each full year; for the length of service over 15 years, one base shall be given for each full year; but the maximum cumulative limit is 45 bases. The Company shall allocate 2% of the total payroll to the pension fund on a monthly basis and deposit it in the Bank of Taiwan in a special account in the name of the Labor Retirement Reserve Supervisory Committee. In addition, the Company shall estimate the balance of labor retirement reserve special account referred to in the preceding Paragraph before the end of each year. If the balance is insufficient to pay the amount of estimated retirement pension in one year calculated in accordance with the foregoing calculation for employees who are eligible for retirement, the Company shall allocate the balance before the end of March of the following year.

   (2) The amounts recognized in the balance sheet are as follows:

	2018/12/31	2017/12/31
Defined benefit obligation	$ 385,592	$ 392,587
Fair value of plan assets	(148,744)	(136,152)
Accrued pension liabilities	$ 236,848	$ 256,435

(3) Changes of accrued pension liabilities are as follows:

2018	Present value of defined benefit obligations	Fair value of plan assets	Accrued pension liabilities
Balance at January 1	$ 392,587	($ 136,152)	$ 256,435
Current service cost	1,053	-	1,053
Interest (expense) income	3,926	(1,362)	2,564
	397,566	(137,514)	260,052
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(4,240)	(4,240)
Change in financial assumptions	3,527	-	3,527
Experience adjustments	(5,745)	-	(5,745)
	(2,218)	(4,240)	(6,458)
Allocation of pension funds	-	(16,746)	(16,746)
Payment of pensions	(9,756)	9,756	-
Balance at December 31	$ 385,592	($ 148,744)	$ 236,848

2017	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	$ 450,197	($ 133,988)	$ 316,209
Current service cost	1,244	-	1,244
Interest (expense)	5,541	(1,636)	3,905
	456,982	(135,624)	321,358
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	305	305
Change in financial assumptions	9,388	-	9,388
Experience adjustments	(64,665)	-	(64,665)
	(55,277)	305	(54,972)
Allocation of pension	-	(9,951)	(9,951)
Payment of pensions	(9,118)	9,118	-
Balance at December 31	$ 392,587	($ 136,152)	$ 256,435

(4) For the Company and its subsidiaries' assets of defined benefit plan funds, the entrusted operation shall be managed by Bank of Taiwan, within the scope of ratio and amount of the entrusted operation items determined in the annual investment plan of the fund in accordance with the items of Article 6 of the Measures for the Custody and Application of Revenue and Expenditure of Employee Pension Funds (that is depositing domestic and foreign financial institutions, investing equity securities listed, OTC listed, or privately placed at home and abroad, and investing securitized commodities of domestic and foreign property), and the relevant application status shall be supervised by the Supervisory Commission for Employee Pension Funds. For the application of the fund, the minimum income allocated in its annual final account shall not be less than the income calculated in accordance with the rate of interest of two years' time deposit of local bank. If there is insufficient, it shall be reinstated by the national treasury after examination and approval of responsible institution. Because the Company has no right to participate in the operation and management of the fund, the Company cannot disclose the classification of the fair value of plan assets in accordance with the regulation of Paragraph 142 of No. 19 in International Accounting Standards. Please notice the annual application report of employee pension fund announced by the government for details of the fair value of the total assets of the fund on December 31, 2018 and 2017.

(5) The actuarial assumptions related to pensions are summarized as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	0.9%	1%
Increasing rate of future salary	2%	2%

Future mortality assumptions are estimated on the basis of statistics and experience published by various countries.

The analysis of defined benefit obligationaffected by the changes in the adopted major actuarial assumptions is as follows:

	Discount rate		Future salary increases	
	Increase0.25%	Decrease 0.25%	Increase0.25%	Decrease 0.25%
2018/12/31				
Influence on defined benefit obligation	($ 8,726)	$ 9,040	$ 7,954	($ 7,729)
2017/12/31				
Influence on defined benefit obligation	($ 9,388)	$ 9,740	$ 8,635	($ 8,378)

The above sensitivity analysis is based on the analysis of the effect of a single assumption change with other assumptions unchanged. Many changes of assumptions in practice are likely to be linked. The method used for the sensitivity analysis is consistent with the method used to calculate the net pension liabilities in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(6) The Company's contribution of estimated payment for retirement plan is $ 17,220 in 2019.

(7) By the end of December 31, 2018, the weighting average duration of the retirement plan was 12 years. The maturity analysis of pension payments is as follows:

Less than 1 year	$	17,096
1-5years		119,649
Over 5 years		108,124
	$	244,869

2. (1) Since July 1, 2005, the Company and its domestic subsidiaries have formulated defined contribution plan in accordance with the Labor Pensions Ordinance, which shall apply to the native employees. The Company and its domestic subsidiaries have decided to apply the employee pension system stipulated in the Labor Pensions Ordinance to the employees, and have monthly allocated 6% of salary to the employees' personal accounts of the Bureau of Labor Security. Payment of employees' retirement pensions shall be made in the form of monthly retirement pension or lump-sum retirement pension according to the amount of individual retirement pension account and accumulated earnings of employees.

(2) The costs of retirement pension recognized in 2018 and 2017 according to the above pension plan were $ 33,291 and $38,423 respectively.

(16) Share capital

1. By the end of December 31, 2018, the authorized capital of the Company was $ 45,000,000 divided into 4,500,000,000 shares with paid-in capital of $ 17,741,264 and 10 NT dollars per share. Payment for the issued shares of the Company had been received. The adjustments of the number of the Company's initial and final outstanding ordinary shares are as follows (Unit: share):

	2018	2017
At January 1	1,830,647,491	1,877,871,491
Write-off treasury share	(56,521,124)	(47,224,000)
December 31	1,774,126,367	1,830,647,491

2. Treasury Share

(1) The Company passed the repurchase of corporate shares 150,000,000 on November 13, September 20, 2018, and August 11, 2017 by resolution of the board of directors, and actually repurchased 134,856,000 corporate shares. In addition, on November 13, August 10, 2018 and November 9, 2017, the Company passed the write-off and reduction of treasury share 50,000,000, 6,521,000 and 47,224,000 ordinary shares respectively by the resolution of the board of directors, and the changes of registration had been completed.

(2) The Securities and Exchange Act regulates that the proportion of shares repurchased by a company shall not exceed 10% of the total number of shares issued by the company, and the total amount of shares repurchased shall not exceed the retained earnings plus the share premium and the realized additional paid-in capital.

(3) Treasury shares held by the Company shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and the shareholders' rights shall not be enjoyed before transfer.

(4) According to the regulations of Securities and Exchange Act, shares repurchased for transfer to employees shall be transferred within three years from the date of repurchase. If the shares are not transferred within the time limit, they shall be deemed as corporate unissued shares, and changes of registration for eliminated shares shall be managed. Shares repurchased for protecting the company credit and shareholders' equity shall be subject to changes of registration for eliminated shares within six months from the date of repurchase.

(5) Details for shares held by the Company and its subsidiaries on December 31, 2018 and 2017 are as follows:

		2018/12/31	
Name of Company	Repurchase Reason	Number of shares (thousand shares)	Carrying amount
The Company holding shares	To protect the shareholders' equity	37,632	$ 251,103

Company holding shares	Reason for acquisition	Number of stocks (in thousand)	Book value
Subsidiary-CHC	Investment	6,521	$ 169,070

(17) Additional paid-in capital

In accordance with the provisions of Company Act, for the overage from issuance of shares over par value and the capital reserve from acceptance of bestowal, besides the part used for covering the deficit, new shares or cash shall be issued in the ratio of shareholders' original shares when the company has no accumulated losses. In addition, in accordance with the relevant provisions of Securities and Exchange Act, during the appropriation of capital with above additional paid-in capital,the total number shall not exceed 10% of the paid-in capital each year. The company shall not supplement the capital deficit with additional paid-in capital unless the surplus reserve is still insufficient to cover the capital deficit.

	Issue premium	Treasury share transactions	Changes in recognized equity of subsidiarie	Others	Total
At January 1, 2018	$ 2,848,530	$ 4,590,965	$ -	$ 1,922	$ 7,441,417
Write-off treasury share	(90,240)	191,490	-	-	101,250
Changes in equity of subsidiaries	-	-	103	-	103
December 31, 2018	$ 2,758,290	$ 4,782,455	$ 103	$ 1,922	$ 7,542,770

	Issue premium	Treasury share transactions	Changes in recognized equity of subsidiarie	Others	Total
At January 1, 2017	$ 2,922,012	$ 4,246,223	$ -	$ 1,922	$ 7,170,157
Write-off treasury share	(73,482)	344,742	-	-	271,260
December 31, 2017	$ 2,848,530	$ 4,590,965	$ -	$ 1,922	$ 7,441,417

(18) Deficit to be covered

1. According to the Articles of Association, the dividend policy of the Company shall be based on the consideration of capital expenditure requirements and in conjunction with the long-term financial planning of the Company to determine the amount and type of distribution of earnings. If there is a surplus in the annual final accounts, the Company shall firstly allocate tax payment and make up the accumulated losses, and then allocate 10% as the statutory surplus reserve. However, this restriction shall not apply if the legal surplus reserve has reached the total paid-in capital amount of the Company; after allocating and reversing the special surplus reserve in accordance with the law, if there is still any surplus, the board of directors shall draw up the appropriation of surplus and distribute it with the initial accumulated undistributed surplus after resolution of shareholder' meeting. Shareholders' dividends shall be paid with cash dividends not less than 10% of the total dividends paid annually.

2. Except for covering the deficit of the Company and issuing new shares or cash in the ratio of shareholders' original shares, the legal surplus reserve shall not be used. However, the new shares or cash shall be issued within the limit of 25% of the reserve exceeding the paid-in capital.

3. When distributing the surpluses, the Company shall, in accordance with laws and regulations, set aside special surplus reserves in respect of debit balances of other equity items at the balance sheet date of the current year firstly. Thereafter, when debit balances of other equity items are reversed, the reversed amount shall be recognized in the surplus available for distribution.

4. On June 12, 2018 and June 16, 2017, the shareholders' meeting of the Company decided the proposals for loss appropriation of 2017 and 2016 respectively. Please inquire the relevant status of loss appropriation proposed by the board of directors and resolved by the shareholders' meeting in the "Market Observation Post System" of Taiwan Stock Exchange.

5. By the end of December 31, 2018, the Company had no surplus available for distribution.

6. The Company did not distribute dividends in 2018 and 2017.

7. Please notice Note 6 (24) for details of employee and director remuneration information.

(19) Other equity items

	2018			
	Currency translation	Unrealised gains (losses) on valuation	Available-for-sale investment	Total
At January 1	($ 209,653)	$ -	$ 1,623	($ 208,030)
Adjustments under new standards	-	(175,923)	(1,623)	(177,546)
Balance after restatement at January 1, 2018	(209,653)	(175,923)	-	(385,576)
Revaluation				
–Parent company	-	(8,559)	-	(8,559)
–Subsidiaries and Associates	-	(6,076)	-	(6,076)
Revaluation transferred to retained earnings	-	10,805	-	10,805
Currency translation:				-
–Parent company	96,280	-	-	96,280
–Subsidiaries and Associates	(2,049)	-	-	(2,049)
At December 31	($ 115,422)	($ 179,753)	$ -	($ 295,175)

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	$ 45,875	($ 39,305)	$ 6,570
Revaluation			
–Parent company	(57,498)	-	(57,498)
–Subsidiaries and Associates	13,246	-	13,246
Currency translation:			
–Parent company	-	(169,409)	(169,409)
–Subsidiaries and Associates	-	(939)	(939)
At December 31	$ 1,623	($ 209,653)	($ 208,030)

(20) Operating revenue

	Year ended December 31, 2018
Revenue from customer contract	$ 6,643,919

1. Segmentation of revenue from customer contract
2. The Company's revenue is from the provision of commodities and services that transfer over time and at a certain time-point, and the revenue can be segmented into the following product lines:

	Year ended December31, 2018		
	Storage medium	Others	Total
Revenue recognition time-point			
Revenue recognized at a certain time-point	$ 6,553,354	$ 90,565	$ 6,643,919

3. Contract liabilities
   (1) The contract liability related to contract revenue from customers recognized by the Company is as follows:

	2018/12/31
Contract liabilities – Advance on sales	$ 93,886

(2) Initial contract liability recognized as income

	107 年度
Initial balance of contract liability recognized as income in current period of product sales contract	
Product sales contract	$ 190,103

(3) Please notice Note 12 (5) for relevant disclosure of operating revenue for 2017.

(21) Other income

	Year ended December31, 2018	Year ended December31, 2017
Interest income		
Bank deposit interest	$ 2,114	$ 1,723
Others	21,085	19,263
	23,199	20,986
Rent income	40,455	27,296
Dividend income	42,940	51,102
Other income	57,257	122,962
Total	$ 163,851	$ 222,346

(22) Other gains and losses

	Year ended December31, 2018	Year ended December31, 2017
Net (loss) benefit of financial assets at fair value through profit or loss	($ 284,413)	$ 53,571
Net loss of financial liabilities at fair value through profit or loss	(15,707)	(4,414)
Foreign exchange gains(losses)	70,773	(92,264)
Gains on disposals of property, plant	6,717	4,352
Losses on impairment	(95,980)	-
Depreciation expense of investment	(21,883)	(19,421)
Gains on disposals of investments	-	101,155
Other losses	(353)	(8,922)
Total	($ 340,846)	$34,057

(23)Financial costs

Interest expense:	Year ended December31, 2018	Year ended December31, 20 17
Bank loans	$ 72,889	$ 91,473
Others	220	1,289
Management fee	16,600	29,598
	89,709	122,360
Less: Capitalized amount of assets confirming to the requirements	(322)	(128)
Finance costs	$ 89,387	$ 122,232

(24)Employee benefit, depreciation and amortization expenses

The Company's employee benefit, depreciation and amortization expenses for the year ended 2018, and 2017 are summarized as follows:

Function / Nature	For the years ended December 31,2018		
	Operating costs	Operating expenses	Total
Employee benefit expenses			
Salaries	$ 691,085	$ 102,827	$ 793,912
Labor and health insurance	70,764	10,632	81,396
Pension	31,888	5,020	36,908
Bonuses of Directors	-	1,680	1,680
Other employee benefit expenses	19,175	4,557	23,732
Depreciation	583,128	33,157	616,285
Amortization	14,943	27,303	42,246
Salaries	$ 810,220	$ 105,483	$ 915,703
Labor and health insurance	81,441	11,684	93,125
Pension	38,107	5,465	43,572
Bonuses of Directors	-	1,680	1,680
Other employee benefit expenses			
Depreciation	765,126	67,715	832,841
Amortization	21,718	43,267	64,985

1. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated deficit, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 1.5% for directors' and supervisors' remuneration.
2. As of December 31, 2018 and 2017, there were accumulated deficit, so the Company

didn't distribute employees' compensation and directors' remuneration. Information about employees' compensation and directors' remuneration of the Company as approved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

3. The Company's headcount totaled 1,375 and 1,595 employees as of December 31, 2018 and 2017, respectively. There were 9 non-employee directors as of December 31, 2018 and 2017.

(25)Income tax

1. Income tax expense

(1) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Prior year income tax (over) underestimation	($ 19)	$ 405
Deferred tax:		
Origination and reversal of temporary differences	114,522	118,838
Impact of change in tax rate	(53,663)	-
Income tax expense	$ 60,840	$ 119,243

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

	Year ended December 31, 2018	Year ended December 31, 2017
Share of other comprehensive income of associates	$ -	($ 39)
Remeasurement of defined benefit obligations	(1,098)	(9,345)
Impact of change in tax rate	2,743	-
	$ 1,645	($ 9,384)

2. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2018	Year ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 98,209	($ 171,547)
Expenses disallowed by tax regulation	19,021	207
Income to be added by tax regulation	1,912	541
Tax exempt income by tax regulation	(47,472)	(38,080)
Temporary differences not recognized as deferred tax assets	(178,340)	(96,703)
Taxable loss not recognised as deferred tax assets	106,670	305,582
Change in assessment of realisation of deferred tax assets	114,522	118,838
Impact of change in tax rate	(53,663)	-
Prior year income tax (over) underestimation	(19)	405
Income tax expense	$ 60,840	$ 119,243

3. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for uncollectible accounts over limits	$ 100,574	$ 14,950	$ -	$ 115,524
Inventory valuation losses	24,561	942	-	25,503
Unused vacation bonus	6,413	1,216	-	7,629
Unrealised exchange gain (losses)	8,212	(4,741)	-	3,471
Re-measurement of defined benefit obligation	15,547	-	1,645	17,192
Tax losses	165,971	(74,446)	-	91,525
Subtotal	$ 321,278	($ 62,079)	$ 1,645	$ 260,844
-Deferred tax liabilities:				
Unrealized loss from sale	($ 1,628)	$ 1,223	$ -	($ 405)
Provisions for land value increment tax	(21,379)	-	-	(21,379)
Others	(15)	(3)	-	(18)
Subtotal	($ 23,022)	$ 1,220	$ -	($ 21,802)
Total	$ 298,256	($ 60,859)	$ 1,645	$ 239,042

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for uncollectible accounts over limits	$ 133,608	($ 33,034)	$ -	$ 100,574
Inventory valuation losses	23,092	1,469	-	24,561
Unused vacation bonus	5,994	419	-	6,413
Unrealised exchange losses	-	8,212	-	8,212
Re-measurement of defined benefit obligation	24,892	-	(9,345)	15,547
Tax losses	264,531	(98,560)	-	165,971
Subtotal	$ 452,117	($ 121,494)	($ 9,345)	$ 321,278
-Deferred tax liabilities:				
Unrealized loss from sale	($ 2,195)	$ 567	$ -	($ 1,628)
Unrealised exchange gain	(2,089)	2,089	-	-
Provisions for land value increment tax	(21,379)	-	-	(21,379)
Others	(15)	-	-	(15)
Subtotal	($ 25,678)	$ 2,656	$ -	($ 23,022)
Total	$ 426,439	($ 118,838)	($ 9,345)	$ 298,256

4. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

2018/12/31				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2009	Amount assessed	$ 2,484,043	$2,484,043	2019
2010	"	3,379,906	3,379,906	2020
2011	"	1,321,869	1,321,869	2021
2013	"	1,395,222	1,395,222	2023
2014	"	857,253	857,25	2024
2015	"	1,147,282	1,147,282	2025
2016	"	2,551,666	2,551,666	2026
2017	Amount declared	700,715	700,71	2027
2018	Amount estimated	592,905	135,279	2028
		$14,430,861	$ 13,973,235	

2017/12/31				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008		$ 3,439,145	$ 3,439,145	2018
2009	"	2,484,043	2,484,043	2019
2010	"	3,379,906	3,379,906	2020
2011	"	1,321,869	1,321,869	2021
2013	"	1,395,222	1,395,222	2023
2014	"	857,253	857,253	2024
2015	"	1,147,282	1,147,282	2025
2016	Amount declared	2,551,666	2,551,666	2026
2017	Amount estimated	1,867,026	890,726	2027
		$18,443,412	$ 17,467,112	

5. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	2018/12/31	2017/12/31
Deductible temporary differences	$ 11,995,950	$ 11,589,252

6. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.
7. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate.

(26)Earnings (loss) per share

	Year ended December 31, 2018		
Basic and diluted earnings per share	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit for the period	$ 430,204	1,771,471	$ 0.24

	Year ended December 31, 2017		
Basic loss per share	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit for the period	($ 1,128,344)	1,837,900	($ 0.61)

(27)perating leases

The Company leases office, plant and advertising neon signboards by operating lease for a period of 5 to 10 years with renewal rights at the end of the lease term. Most leasing agreements can be renewable at market prices at the end of the lease term. In 2018 and 2017, the rental costs and expenses of $ 11,657and $ 12,5151 were recognized as current profit or loss respectively.

The total future minimum lease payments caused by non-cancelable contracts are as follows:

	2018/12/31	2017/12/31
Not more than 1 year	$ 25,389	$ 4,757
More than 1 year but no more than 5 years	14,351	-
	$ 39,740	$ 4,757

(28)Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2017
Prepayments for business facilities	$ 115,013	$ 49,529
Add: Opening balance of payable	24,471	32,900
Less: Ending balance of payable	(43,086)	(24,471)
Cash paid during the year	$ 96,398	$ 57,958

(29)Changes in liabilities from financing activities

	Short-term loans	Long-term loans (including current portion)	Liabilities from financing activities – gross
At January 1, 2018	$ 30,000	$ 3,588,960	$ 3,618,960
Changes in cash flow from financing activities	220,000	(480,560)	(260,560)
At December 31, 2018	$ 250,000	$ 3,108,400	$ 3,358,400

7. Transaction with the related parity

(1) Name and relationship of the related parties

Names of related parties	Relationship with the Company
SUN Q Solar Corporation（SUN Q）	Subsidiary
Transtouch Technology Inc.（Transtouch）	〃
Deltamac (Taiwan) Co. Ltd.（DELTAMAC(TAIWAN)）	〃
Sumagh High Tech Corporation（Sumagh）	〃
Asia1 International Corporation（Asia1）	〃
CMC Movie Corporation（CMC Movie）	〃
CHC International Investment Corporation （CHC）	〃
CMC Entertainment Holding Corporation（CMC ENTERTAINMENT）	〃
Sun Well Solar Corporation（Sun Well Solar）	〃
CMC Entertainment Hub Company（CMC ENTERTAINMENT HUB）	〃
Fortune (Jiangsu) Multimedia Co., Ltd（Fortune (Jiangsu) Multimedia）	〃
FJKL Technology (Suzhou)Co.,LTD（FJKL(Suzhou)）	〃
Com In Dim Company（Com In Dim）	〃
Taiwanet Com Corporation（Taiwanet）	〃
Jet-Thai Hi-Tech Co. Ltd.（Jet-Thai）	〃
Hotan Corp.（Hotan）	〃
EMC Investment Holding Ltd.（EMC Investment Holding）	〃
VIESHOW Cinemas Corporation（VIESHOW Cinemas）	Associates
Zhongjing Enterprise Co., Ltd.（Zhongjing）	Other related party

(2) Significant related party transactions

1. Operating revenue:

	Year ended December 31, 2018	Year ended December 31, 2017
Sales of goods:		
Subsidiary	$ 215,361	$ 180,250
Other related parties	5,546	9,736
Associates	238	226
	$ 221,145	$ 190,212

Goods are sold based on the price lists in force and terms that would be available to third parties. The credit term of foreign subsidiaries is 60 to 120 days after goods arrived. The credit term of foreign custimers is 30 to 120 days. Moreover, the credit term of domestic custimers is O/A 90 to 120 days.

2. Purchases:

	Year ended December 31, 2018	Year ended December 31, 2017
Purchases of goods:		
Subsidiary	$ 586,545	$ 592,731

Goods and services are purchased from subsidiaries on normal commercial terms and conditions.

3. Receivables from related parties:

(1) Notes receivable

Notes receivable-related parties	2018/12/31	2017/12/31
Subsidiary－Sun Well Solar	$ 5,561	$ 4,466
Other related parties－Zhongjing	3,117	4,534
	$ 8,678	$ 9,000

(2) Accounts recceiveble

	2018/12/31	2017/12/31
Accounts recceiveble Subsidiary -related parties	$ 111,558	$ 73,325
Other related parties	477	1,401
	$ 112,035	$ 74,726

The receivables from related parties arise mainly from sale transactions. The credit terms that would be available to third parties is 60 to 120 days after goods arrived. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

4. Accounts payable

	2018/12/31	2017/12/31
Subsidiary -Fortune Multimedia	$ 105,508	$ 174,143
Others	514	-
	$ 106,022	$ 174,143

The payables to related parties arise mainly from purchase transactions and are due 90 days after the date of purchase. The payables bear no interest.

5. Transactions of financial assets

(1) The amounts of subsidiary's (showed as invesements accounted for using equity method) capital increased by the Company is $40,000 in 2017.

(2) The amounts of subsidiary's (showed as invesements accounted for using equity method) cash reduction and return of shares is $484,352 and $155,028 in 2018 and 2017, respectively.

6. Loans to related parties

(1) Loans to related parties

	2018/12/31	2017/12/31
Subsidiary-Sun Well Solar	$ 1,142,000	$ 1,129,000
- SUN Q	329,389	329,389
Less: allowance for doubtful accounts	(329,389)	(329,389)
	$ 1,142,000	$ 1,129,000

(2) Interest income

	Year ended December 31, 2018	Year ended December 31, 2017
Subsidiary-Sun Well Solar	$ 21,044	$ 18,811

The loans to subsidiaries are repayable within 1 years and carry interest at 1.75 %~2.215% and 1.75 % per annum for the years ended December 31, 2018 and 2017, respectively.

7. Other receivables

	2018/12/31	2017/12/31
Subsidiary	$ 87,660	$ 89,241
Less: allowance for doubtful accounts	(69,640)	(69,640)
	$ 18,020	$ 19,601

The other receivables to subsidiaries arise mainly from outsourced manufacturing transactions.

8. Loans from related parties:
Loans from related parties:

	2018/12/31	2017/12/31
Subsidiary-CHC	$ 1,400,000	$ -

The loans from subsidiaries are repayable within 1 years.

9. Other Payables

	2018/12/31	2017/12/31
Subsidiary	$ 1,000	$ 1,608

The other payables to subsidiaries arise mainly from hardware parts.

10. Endorsements and guarantees provided to related parties:

(1) As of December 31, 2018 and 2017, the balance of provision of endorsements and guarantees by the Company to subsidiary is as follows:

	2018/12/31	2017/12/31
Subsidiary	$ 50,000	$ 39,200

(2) As of December 31, 2018 and 2017, the balance of provision of financial institution guarantees by subsidiary to the Company is as follows:

	2018/12/31	2017/12/31
Subsidiary	$ -	$ 300,000

(3) Key management compensation

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and other short-term employee benefits	$ 16,483	$ 15,010
Post-employment benefits	442	317
Total	$ 16,925	$ 15,327

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value 2018/12/31	Book value 2017/12/31	Purpose
Pledged time deposits and restricted deposits (Showed as Other financial assets - curent)	$ 2,400	$ 4,626	bank loans
Listed and OTC stocks (showed as financial assets at fair value through profit or loss-noncurrent assets and investments accounted for using equity method)	386,423	275,080	〃
Property, plant and equipment	2,841,913	3,025,502	〃
Investment properties	93,239	98,370	〃
	$ 3,323,975	$ 3,403,578	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

1. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2018/12/31	2017/12/31
Property, plant and equipment	$ 5,548	$ 615

2. Operating leases

Please refer to Note 6(27).

3. The company has signed relevant optical disc product licensing contracts with Sony Corporation, Mitsubishi Chemical Corporation, Hitachi Ltd., Pioneer Corporation, HP Inc., and One-Blue LLC, and paid royalties to the company according to the sales volume of related products or by the total amount.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

At November 13, 2018, the board of directors approved that the Company could buy back the stocks of itself and retire it, so as to safeguard the shareholders' equity. The limit amounts of stocks brought back is $719,102. The Company expect to buy back 50,000 thousand stocks at the price range between $4.5 dollars and $8 dollars.

As of December 31, 2018, the Company had brought back 37,632 thousand stocks which cost $251,103. As of January 11, 2019 which is after the balance sheets date, the Company had brought back 10,478 thousand stocks, cost $72,904. In addition, at March 15, 2019, the board of directors approved to write-off treasury stocks amount to 48,110 thousand stocks. The Company did not apply for a necessary alteration registration in respect of such shares accordingly yet.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

(2) Financial instruments

1. Financial instruments by category

	2018/12/31	2017/12/31
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 2,044,573	$ -
Financial assets held for trading	-	1,767,925
	$ 2,044,573	$ 1,767,925
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 31,860	$ -
Available-for-sale financial assets		
Available-for-sale financial assets	$ -	$ 46,463
Financial assets at cost	-	49,353
	$ -	$ 95,816
Financial assets at amortised cost		
Assets/Loans and receivables		
Cash and cash equivalents	2,729,140	1,629,003
Notes receivable	9,868	12,568
Accounts receivable	1,223,513	1,518,738
Other receivables	1,655,228	1,419,986
Guarantee deposits paid (showed as other Assets-noncurrent)	6,332	6,387
Other financial assets (showed as Other financial assets-current)	31,753	63,770
	$ 5,655,834	$ 4,650,452

	2018/12/31	2017/12/31
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ -	$ 122
Financial liabilities at amortised cost		
Short-term loans	250,000	30,000
Notes payable	365,665	388,151
Accounts payable	714,863	757,297
Other accounts payable	1,792,896	322,828
Long-term loans (including current portion)	3,108,400	3,588,960
Guarantee deposits received (showed as other current liabilities)	5,223	1,545
	$ 6,237,047	$ 5,088,781

2. Risk management policies

(1) The Company's daily operation is affected by a number of financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. In order to reduce the adverse effect of uncertainty on the Group's financial performance, the Group undertakes the manufacture of forward foreign exchange contract and cross currency swap contract to avoid exchange rate risk.

The derivatives undertaken by the Group are for hedge purpose and are not used for transaction or speculation.

(2) Risk management is carried out by the finance department of the Group in accordance with the policies approved by the Board of Directors. The finance department of the Group is responsible for identifying, assessing and hedging financial risks through close cooperation with various operating units within the Group. The Board of Directors has formulated written principles for overall risk management and has provided written policies for specific range and matter, such as exchange rate risk, interest rate risk, credit risk, application of derivative and non-derivative financial instruments, and investment of residual current capital.

(3) Please notice Note 6, (13), (14) and 12, (4) for information on undertaking the manufacture of derivatives to hedge financial risk.

3. The nature and degree of significant financial risk

(1) Market risk

Exchange rate risk

A. The Company operates internationally. Therefore, the exchange rate risk generated from transactions in different functional currencies with the Company and its subsidiaries is mainly USD and RMB. The relevant exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

B. The management echelon of the Company has stipulated the policy stipulating that companies within the Group shall manage exchange rate risk relative to the functional currency. Each company shall hedge its overall exchange rate risk through the finance department of the Group. Exchange rate risk is measured through expected transaction with high likelihood of incurring USD and RMB expenses. Adopt forward foreign exchange contract to reduce the effect of exchange rate volatility on the expected cost of purchasing inventory.

C. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(13) and 12(4).

D. The Company holds a number of investments of foreign operating institutions, of which the net assets take the translation risk of foreign currency. Exchange rate risk arising from net assets of the Group's foreign operating institutions is mainly managed through borrowings denominated in the relevant foreign currencies. Please notice Note 6, (14) for details.

E. The Company's business refers to several non-functional currencies (the Company and partial subsidiaries' functional currency is NTD, partial subsidiaries' functional currencies are USD and RMB). As a result, with the effect of exchange rate volatility, information on foreign currency assets and liabilities with significant exchange rate volatility are as follows:

(Foreign currency: functional currency)	2018/12/31 Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 71,961	30.735	$ 2,211,721
JPY:NTD	41,650	0.2774	11,554
Non-monetary items			
USD:NTD	$ 115,446	30.735	$ 3,548,233
Financial liabilities			
Monetary items			
USD:NTD	$ 20,267	30.735	$ 622,906
JPY:NTD	80,405	0.2774	22,304

(Foreign currency: functional currency)	2017/12/31 Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 92,631	29.68	$ 2,749,288
JPY:NTD	590,663	0.2633	155,522
Non-monetary items			
USD:NTD	$ 141,628	29.68	$ 4,203,519
Financial liabilities			
Monetary items			
USD:NTD	$ 29,582	29.68	$ 877,994
JPY:NTD	90,304	0.2633	23,777
EUR:NTD	3	35.45	106

F. The Company's unrealized exchange profit or loss of monetary items caused by exchange rate volatility with significant effect is described as follows:

	Year ended December 31, 2018		
	Exchange gain (loss)		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
Financial assets			
Monetary items			
USD:NTD	$ -	30.735	$ 75,919
JPY:NTD	-	0.2774	588
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.735	$ 21,381
JPY:NTD	-	0.2774	1,133

	Year ended December 31, 2017		
	Exchange gain (loss)		
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
Financial assets			
Monetary items			
USD:NTD	$ -	29.68	($ 235,283)
JPY:NTD	-	0.2633	(8,151)
Financial liabilities			
Monetary items			
USD:NTD	$ -	29.68	($ 75,138)
JPY:NTD	-	0.2633	(1,246)
EUR:NTD	-	35.45	4

G. Analysis of the Company's foreign currency market risk affected by significant exchange rate volatility is as follows:

	Year ended December 31, 2018		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 22,117	$ -
JPY:NTD	1%	116	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 6,229	$ -
JPY:NTD	1%	223	-

	Year ended December 31, 2017		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 27,493	$ -
JPY:NTD	1%	1,555	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 8,780	$ -
JPY:NTD	1%	238	-
EUR:NTD	1%	1	-

Price risk

A. The Company's equity instruments exposed to price risk are the held financial assets at fair value through profit or loss, financial assets at fair value through other consolidated profit or loss, and financial assets available for sale. To manage price risk of equity instrument investment, the Company diversifies the investment portfolio, of which the diversifying mode is carried out in according to the quota set by the Company.

B. The Company mainly invests in equity instruments and open-ended funds issued by domestic companies, and the prices of the equity instruments can be affected by the uncertainty of future value of investment target.
If the price of these equity instruments increases or decreases by 1% and all other factors remain unchanged, net loss after-tax arising from the gains or losses of equity instruments at fair value through profit or loss for the year 2018

and 2017 will increase or decrease $20,446 and $17,672, respectively, gains or losses of other consolidated profit or loss classified as available-for-sale equity investments and equity investments at fair value through other consolidated profit or loss will increase or decrease $319 and $465, respectively.

Cash flow and fair value interest rate risk

A. The Company's interest rate risk arises mainly from long-term borrowings issued at floating interest rate, which exposes the Company in cash flow interest rate risk. In 2018 and 2017, the Company's borrowings at floating interest rate were mainly denominated in NTD, USD and RMB.

B. The Company's borrowings are carried at amortized cost. In accordance with the agreement of contract, the interest rate shall be repriced annually, thus The Company is exposed in the risk of interest rate change of future market.

C. When the NTD borrowing rate rises or falls 0.25% and all other factors remains unchanged, net loss after-tax for the year 2018 and 2017 will decrease or increase $7,771 and $8,972, respectively, which is mainly caused by interest expense varied from floating rate borrowings.

(2) Credit risk

A. The Company's credit risk refers to the Company's risk of financial loss caused by non-performance of customers or counterparties of financial instrument, which mainly arises from the contractual cash flow of accounts receivable that counterparty is unable to settle on collection terms.

B. The Comapny establishes the management of credit risk from a Comapny perspective.
For banks and financial institutions, only institutions with good credit ratings may be accepted as trading partners. In accordance with an internally defined credit policy, each operating entity and each new customer in the Group shall perform management and credit risk analysis prior to setting terms and conditions for payment and proposed deliveries. Internal risk management assesses the credit quality of customers by taking into account their financial position, past experience and other factors.
Limits for individual risk are set by the Board of Directors on the basis of internal or external ratings and the use of credit lines is monitored on a regular basis.

C. The Company adopts the premise assumption provided by IFRS9 that contract payments are deemed to be in default when they are more than 90 days overdue under the agreed terms of payment.

D. The Company adopts the following premise assumptions provided by IFRS9 as a basis for determining whether there has been a significant increase in credit risk of financial instruments since the original recognition:
When the contractual payment is overdue for more than 30 days in accordance with the agreed terms of payment, the credit risk of the financial asset is deemed to have increased significantly since the original recognition.

E. The Company groups receivables of customers by customer type and adopts a simplified approach to estimate expected credit losses based on the provision matrix and loss rate method.

F. The Company eliminates the amount of recoverable financial assets that could not reasonably be expected to be recovered after recourse procedures, but the Group will continue to pursue recourse proceedings to preserve the rights of the claims. On December 31, 2018, the Group had no creditor's rights written off and still having recourse activities.

G. (1) Incorporating forward-looking considerations for future global economic information, the Company adjusts the loss rate established by historical and current information for a specific period to estimate the allowance for loss of general credit standing customers' notes and accounts receivable (including related parties). The provision matrix on December 31, 2018 is as follows:

	Expected loss rate	Total book value	Loss allowance	Total
2018/12/31				
Not past due	0.5%	$ 105,192	($ 527)	$104,665
1~30 days past due	2.7%	47,550	(1,286)	46,264
31~60 days past due	4.4%	56,720	(2,499)	54,221
61~90 days past due	8.5%	52,998	(4,511)	48,487
91~180 days past due	10.6~22.4%	20,003	(2,197)	17,806
past due over180 days	26.7~100%	18,512	(13,324)	5,188
Total		$ 300,975	($ 24,344)	$276,631

(2) For the customers in the group of good credits, as the expected credit impairment is not significant, the Company adopts the loss ratio method to calculate the expected credit loss, which is 0.2%. The total values of accounts receivable and allowance for loss on December 31, 2018 were $958,336 and $1,586 respectively.

H. The Company's statement of changes in notes and accounts receivable (including related parties) and allowance for loss of collection through simplified method is as follows:

	2018		
	Notes receivable and accounts receivable (including related parties)	Overdue receivable	Total
At January 1_IAS 39	$ 27,112	$ 570,648	$ 597,760
At January 1_IFRS 9			
Reversal of impairment loss	(1,182)	(16,649)	(17,831)
At December 31	$ 25,930	$ 553,999	$ 579,929

I. Please refer to Note 12, (4) for details of the credit risk information in 2017.

(3) Liquidity risk

A. Cash flow forecasts are executed by individual Company operators and are aggregated by Company Finance. The Company's Financial Department monitors forecasts of the Company's liquidity needs to ensure that sufficient funds are available to meet operational needs.

B. The following table shows the Company's non-derivative financial liabilities and derivative financial liabilities settled on a net or aggregate basis, grouped by relevant maturity dates and analyzed on the basis of the remaining period from the balance sheet date to the contractual maturity date; Derivative financial liabilities are based on the market value (fair value) at the balance sheet date. The amount of contractual cash flows disclosed in the following table is the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term loans	$ 250,000	$ -	$ -	$ -
Notes payable	365,665	-	-	-
Accounts payable	714,863	-	-	-
Other payables	1,792,896	-	-	-
Long-term loans (including current portion and estimated interest)	1,202,734	1,924,740	79,430	-
Guarantee deposit received	-	1,105	440	3,677

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term loans	$ 30,000	$ -	$ -	$ -
Notes payable	388,151	-	-	-
Accounts payable	737,297	-	-	-
Other payables	322,828	-	-	-
Long-term laons (including current portion and estimated interest)	1,187,397	1,580,253	994,809	-
Guarantee deposit received	630	-	915	-

Derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Forward exchange contracts	$ 122	$ -	$ -	$ -

(3) Fair value information

1. The levels of valuation techniques used to measure the fair value of financial and non-financial instruments are defined below:

   Level 1: quotation (unadjusted) of the same assets or liabilities that may be acquired by the enterprise in the active market at the measurement date. Active markets are markets in which transactions of assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company invests in over-the-counter share investments and beneficiary certificates of fair value.

   Level 2: direct or indirect observable inputs of assets or liabilities, except for quotations included in Level 1. The fair value of the Comapny's investments, such as most derivatives.

   Level 3: non-observable inputs to assets or liabilities are included in the ompany's investments in equity instruments that do not have an active market.

2. Financial instruments not measured at fair value

   The Company's financial instruments not measured at fair value, include cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets (tabulated other financial assets-current and other non-current assets), financial assets measured at cost, refundable deposits (tabulated other current and non-current assets), the carrying amounts of collections (tabulated other non-current assets), short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings (including those due within one year or one operating cycle), guarantee deposits received (tabulated other current and non-current liabilities), are a reasonable approximation of fair value.

3. Financial and non-financial instruments measured at fair value are classified by the Company based on the nature, characteristics, risk and fair value grades of assets and liabilities, as follows:
(1)The Company is classified by the nature of its assets and liabilities, as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$2,044,573	$ -	$ -	$2,044,573
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	31,860	31,860
Total	$2,044,573	$ -	$ 31,860	$2,076,433

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$1,767,169	$ -	$ -	$1,767,169
Forward foreign exchange contract	-	756	-	756
Available-for-sale financial assets				
Equity securities				
Equity securities	46,463	-	-	46,463
Total	$1,813,632	$ 756	$ -	$1,814,388
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value throughprofit or loss				
Forward foreign exchange contract	$ -	$ 122	$ -	$ 122

(2)The methods and assumptions used by the Group to measure fair value are described below:

A. The Company adopts market quotations as fair price inputs (i.e. Level 1), which is listed as follows according to the characteristics of the tools:

	Shares of Listed(OTC) Companies	Open Funds
Market quoted price	Closing price	Net value

B. Except for the aforesaid financial instruments with a viable market, the fair value of other financial instruments is obtained by evaluating technology or referring to counterparty's quotations.

C.When evaluating non-standardized and less-complex financial instruments, the Company employs valuation techniques that are widely used by market participants. The parameters used in the evaluation model of such financial instruments are usually market observable information.

D.The evaluation of derivative financial instruments is based on widely accepted evaluation models, such as discount method and option pricing model. Forward foreign exchange contracts are usually valued at the current forward rate.

E.The outputs of the evaluation model are estimated estimates and the evaluation techniques may not reflect all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted appropriately according to the additional parameters.

4. There was no transfer between Level 1 and Level 2 in 2018 and 2017.

5. The following table shows the changes of Level 3 in 2018 and 2017:

	2018	2017
	Equity instrument	hybrid instrument
At January 1_IAS39	$ -	$ 221
Adjustments under new standards	46,658	-
At January 1_IFRS9	46,658	221
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(8,559)	-
Decreased in the period	(6,239)	(221)
At December 31	$ 31,860	$ -

6. There was no transfer-in or transfer-out from Level 3 in 2018 and/or 2017.
7. The Company's evaluation process for fair value classification at Level 3 is undertaken by Strategic Investments, which is responsible for independent fair value verification of financial instruments. Adapt evaluation results to market conditions by means of independent source data, confirm that data sources are independent, reliable, consistent with other resources and representative of executable prices, and periodically calibrate evaluation models, update input values required for evaluation models and data and any other necessary fair value adjustments, to ensure that evaluation results are reasonable.
8. The quantitative information on the significant unobservable inputs and the sensitivity analysis of the significant unobservable input changes of the evaluation model used for the Level 3 fair value measurement items are as follows:

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	(weighted average)	Relationship of inputs to fair value
Nonderivative equity instrument：					
Unlisted shares	$ 24,258	Market comparable companies	Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability	Not applicable	The higher the multiple, the higher the fair value the higher the discount for lack of marketability, the lower the fair value
Venture capital shares	7,602	Net asset value	Not applicable	Not applicable	Not applicable

9.The Company has carefully evaluated the evaluation models and evaluation parameters adopted, but different evaluation models or evaluation parameters may lead to different evaluation results.

(4) The Impact of the Initial Application of No.9 of Full International Financial Reporting Standards and Information on the Adoption of No.39 of International Accounting Standards in 2017

1. Significant accounting policies adopted in 2017 are described below:

(1) Financial assets at fair value through profit or loss

A. Financial assets held for transaction or designated at fair value through profit or loss when originally recognized. Financial assets are classified as those held for transaction if they were primarily sold in the short term at the time of acquisition. Derivatives are classified as financial assets held for transaction, except for those designated as hedged items under hedge accounting.

B. The Company adopts transaction date accounting for financial assets at fair value through profit or loss consistent with trading practice.

C. Relevant transaction costs of the financial assets at fair value at the time of original recognition are recognized as current profit or loss.Continued changes in fair value are recognized in current profit or loss as measured at fair value. Investments in equity instruments that are not publicly quoted in the inactive market, or derivatives that are linked to such inactive market's publicly quoted equity instruments and are subject to delivery of such equity instruments, are reported by the Company as "financial assets measured at cost" when their fair value cannot be reliably measured.

(2) Available-for-sale financial asset

A. Non-derivative financial assets designated for sale or not classified as any other class.

B. The Company adopts transaction date accounting for available-for-sale financial assets that comply with transaction practice.

C. At the time of original recognition, it is measured at its fair value plus transaction cost, and then measured at fair value, and the changes in its fair value are recognized in other consolidated profit or loss. Investments in equity instruments that are not publicly quoted in the inactive market, or derivatives that are linked to such inactive market's publicly quoted equity instruments and are subject to delivery of such equity instruments, are reported by the Company as “financial assets measured at cost" when their fair value cannot be reliably measured.

(3) Loans and receivables

A.Accounts receivable

Loans and receivables originally incurred are receivables from customers arising in the sale of goods or provision of services in normal operation. At the time of original recognition, it is measured at fair value and subsequently measured at amortized cost minus impairment using the effective interest method. However, for short-term receivables with unpaid interest, the discount effect is not significant and shall be subsequently measured by the original invoice amount.

B. Investments of debt instruments without active market

(A) are loans and receivables that are not originally incurred, are public offer in inactive market, have fixed or determinable amount of bond investments,

and comply with the following conditions.
a. Not classified as measured at fair value through profit or loss.
b. Not designated for sale.
c. The holder may not be able to recover almost all of the original investment due to factors other than credit deterioration.

(B) The Company adopts settlement date accounting for inactive market bond investments that comply with trading practice.

(C) At the time of original recognition, it is measured at fair value at the transaction date plus transaction cost, and then measured at amortized cost minus impairment using the effective interest method. The amortization of discounted premiums under the effective interest method is recognized in the current profit or loss.

(D) The Company's investments in debt instruments held in inactive markets are non-contractual term deposits in cash.
Due to the short holding period, the impact of discounting is not material and is measured in terms of the amount of investments.

(4) Impairment of financial asset

A. On each balance sheet date, the Company assesses whether there is any objective evidence of impairment that indicates that one or more events occurred after the original recognition of a financial asset or company of financial assets (i.e., "loss event") and that the loss event has a reliably estimable impact on the estimated future cash flows of a financial asset or company of financial assets.

B. The Company's policy for determining the existence of objective evidence of impairment losses is as follows:

(A) Significant financial difficulties of the Issuer or the Debtor;

(B) Default, such as delay or non-payment of interest or principal;

(C) Concessions made by the Company to the debtor for economic or legal reasons related to the debtor's financial difficulties that could not have been considered by the debtor;

(D) The likelihood that the debtor will enter bankruptcy or other financial reorganization increases substantially;

(E) The active market of the financial asset disappears due to financial difficulties;

(F) Observable data show that the estimated future cash flow of a group of financial assets decreases measurably after the original recognition of such assets. Although the decrease cannot yet be identified as an individual financial asset of the group, the data include adverse changes in the solvency position of the debtors of the group of financial assets, or national or regional economic conditions associated with defaults on assets of the group of financial assets;

(G) Information on material adverse changes in the technical, market, economic or regulatory environment in which the Issuer operates and where such evidence indicates that the investment costs of the equity investment may not be recoverable; or

(H) The fair value of equity instrument investments declined substantially or persistently below cost.

C. When the Company has assessed that objective evidence of impairment exists and impairment losses have been incurred, the following categories apply:

(A) The financial asset measured at amortized cost recognizes impairment losses in the current profit or loss based on the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. When the amount of impairment loss decreases in subsequent periods and the decrease is objectively linked to events occurring after recognition of impairment, the previously recognized impairment loss is reversed within the limit of the amortized cost that would have accrued on the reversion date if no impairment had been recognized. The carrying amount of recognized and reversed impairment losses is adjusted by the allowance account.

(B) The financial asset measured at cost recognizes impairment profit or loss in the current period based on the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return of similar financial assets. Such impairment osses may not be reversed after continuation. The carrying amount of recognized and impairment losses is adjusted by the allowance account.

(C) Available-for-sale financial assets are reclassified from other consolidated profit or loss to the current profit or loss by deducting the difference between the cost of acquisition of the asset (minus any principal and amortization paid) and the current fair value, minus impairment loss or impairment previously included in the profit or loss of the financial asset. When the fair value of an investor in a debt instrument increases in a subsequent period and the increase is objectively linked to events occurring after recognition of the impairment loss, the impairment loss is reversed in the current profit or loss. The impairment losses recognized in profit or loss of an equity instrument investor shall not be reversed through the current profit or loss. The carrying amount of recognized and reversed impairment losses is adjusted by the allowance account.

2. The formulation adjustment of the carrying value of financial assets converted from IAS 39 on December 31, 2017 to IAS9 on January 1, 2018 is as follows:

		Available-forsale-equity						Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at amortised cost	Measured at cost	Investments accounted for using equity method	Other noncurrent abilities-other	Total	Retained earnings	Others equity
IAS39	$ 1,767,925	$ 46,463	$ -	$ 49,353	-	$ -	$1,863,741	-	$ -
Transferred into and measured at fair value through profit or loss	46,463	(46,463)	-	$ -	33,905	-	$ 33,905	35,528	(1,623)
Transferred into and measured at fair value through other comprehensive income-equity	-	46,658	-	(49,353)	(472)	5	(3,162)	-	(3,162)
Impairment loss adjustmen	-	-	-	-	-	-	-	172,761	(172,761)
IFRS9	$ 1,814,388	$ 46,658	$ -	$ -	$ 33,433	$ 5	$1,894,484	$208,289	($177,546)

(1)For equity instruments classified as "financial assets at cost" in the amount of $49,353 under IAS39, as the Company is not holding them for transaction purposes, an increase of $46,658 was opted to classify them as "financial assets at fair value through other consolidated profit or loss (equity instruments)" when IFRS9 is applied for the first time; An additional reduction of investments accounted for using equity method amounting to $472, for other interests-other $5 and decreased other equity in the amounts of $3,162 on initial application of IFRS 9.

(2)Under IFRS9, equity instruments in the amount of $1,814,388 was classified as "financial assets at fair value through profit or loss (equity instruments)", which was classified as "financial assets for sale at fair value through profit or loss and financial assets at cost" amounting to $1,767,925 and $46,463 under IAS39; Additional reduction of pending loss of $33,905. and other equity of $35,528 and $1,623.

(3)Decrease other equity by $172,761 and loss to be recovered by $ 172,761 as provided for in IFRS9 for impairment losses.

3. Allowance for impairment has been converted from the IAS 39 Incurred Loss Model as of December 31, 2017 to the IFRS 9 Expected Loss Model as of January 1, 2018. The adjustments are as follows:

	Availablefor-sale		Notes and accounts receivable (including related parties)	Total
	Measured at fair value through profit or loss	Measured at cost		
IAS39	$ -	$ 8,611	$ 27,112	$ 35,723
Transfer into and measured at fair value through other comprehensive income	8,611	(8,611)	-	-
IFRS9	$ 8,611	$ -	$ 27,112	$ 35,723

4. Statements of significant accounting items in 2017 are as follows:

(1) Financial assets at fair value through profit or loss

Items	2017/12/31
Current items:	
Financial assets held for trading	
Listed and OTC stocks	$ 1,495,968
Non-hedging derivatives	
-Forward foreign exchange contract	756
	1,496,724
Valuation adjustment	(3,879)
Total	$ 1,492,845
Non-current items:	
Financial assets held for trading	
Listed and OTC stocks	$ 238,388
Valuation adjustment	36,692
Total	$ 275,080

A. The Company's net benefit of the financial assets held for transaction was recognized to be $ 53,571 in 2017.

B. Information on transactions and contracts related to non-hedged derivative financial assets is as follows:

	2017/12/31	
Derivative instruments	Contract amount (notional principal)	Contract period
Current items:		
Forward foreign exchange contract	JPY 222,020 (in thousand dollars)	106.11.23~ 107.01.31

Forward foreign exchange transactions entered into by the Company are forward transactions of US pre-purchased and pre-sold to avoid exchange rate risk of import and export prices, but hedge accounting is not applied.

C. Please refer to details in Note 8 for the situation that financial assets at fair value through profit or loss will be pledged as security by the Company.

(2)Available-for-sale financial assets

Items		2017/12/31
Current items:		
Listed, OTC, and emerging stocks		
Shanghai Commercial & Savings Bank, Ltd.	$	42,461
Valuation adjustment		4,002
Total	$	46,463

A. The Company's amount recognized as other consolidated profit or loss due to changes in fair value in 2017 was $39,217.

B. Details of the Company’s available-for-sale financial assets pledged to others as collateral are provided in Note 8.

(3)Financial assets at cost

Items		2017/12/31
Current items:		
Unlisted and non-OTC stocks		
Others(None exceeded $100,000)	$	517,177
Accumulated impairment	(	467,824)
Total	$	49,353

Share investments held by the Company in unlisted and non-OTC companies shall be classified as available-for-sale financial assets in accordance with the investment intent. However, the subject matter is not publicly traded in an active market and cannot obtain sufficient industrial information of similar companies and relevant financial information of the invested company, thus it cannot reasonably and reliably measure the fair value of the subject matter. Consequently, it is classified as a "financial asset measured at cost".

5. Credit risk information in 2017 is as follows:

(1) The Company's credit risk refers to the Company's risk of financial loss caused

by the non-performance of customers or counterparties of financial instruments. In accordance with the Company's credit policy, each operating entity within the Company is required to conduct management and credit risk analysis for each new customer prior to setting terms and conditions for payment and proposal of delivery.Internal risk management assesses the credit quality of customers by taking into account their financial position, past experience and other factors. Limits for individual risk are set by the Board of Directors on the basis of internal or external ratings and the use of credit lines is monitored on a regular basis.The principal credit risks arise from cash and cash equivalents, derivative financial instruments and deposits in banks and financial institutions as well as those from customers, and include outstanding receivables. For banks and financial institutions, only institutions with good credit ratings will be cepted as trading partners.

(2) In 2017, there was no excess of credit limit and no material loss was expected to be incurred as a result of non-performance by the counterparty.

6. The credit quality information of the Company's notes and accounts receivable (including related parties) that are not past due or impaired in accordance with the Company's credit standards is as follows:

	2017/12/31
Group 1	$ 137,349
Group 2	-
Group 3	900,370
	$ 1,037,719

Group 1: customers whose net sales in the previous year were 15% higher than the Company's net sales in the previous year.

Group 2: customers whose net sales in the previous year were 10%-15% of the Group's net sales in the previous year.

Group 3: customers whose net sales in the previous year were less than 10% of the Company's net sales in the previous year.

7.An age analysis of the Company's past due receivables without impairment is as follows: None.

The above is the aging analysis based on the number of overdue days.

8. The analysis of the Company's accounts receivable for which impairment has occurred is as follows:
   (1) By the end of December 31, 2017, the Company's impaired receivables amounted to $520,699.

   (2)The statement of changes in allowances for bad debts is as follows:

	For the year ended December 31, 2017		
	Individual Provision	Group provision	Total
At January 1	$ 76,164	$ 20,339	$ 96,503
Provision for impairment	-	15,934	15,934
Reclassified as overdue receivable	(76,164)	(9,161)	(85,325)
At December 31	$ -	$ 27,112	$ 27,112

(5)The impact of the initial application of IFRS 15 and information on the adoption of IAS 11 and IAS 18 in 2017

1. The significant accounting policies adopted for revenue recognition in the 2017 are described below: sales revenue

   (1) Sales revenue of the Company represents the fair value of consideration received or receivable for goods sold by customers outside the Company in the ordinary course of business, expressed net of business tax, sales rebates, volume discounts and allowances. Commodity sales are recognized when the goods are delivered to the buyer, the amount of sales can be measured reliably and future economic benefits are likely to flow into the enterprise. Delivery of goods occurs when material risks and rewards related to ownership have been transferred to the customer, the Company has neither continued participation in the management of the goods nor maintained effective control over them, and the customer accepts the goods in accordance with the sales contract, or there is objective evidence that all terms of acceptance have been complied with.
2. The revenue recognized by the Company in 2017, to which the aforementioned accounting policies apply, is as follows:

	For the year ended December 31, 2017
Sales revenue	$ 6,727,951

3. If the Company continued to apply the above accounting policies in 2018, the impact on the current balance sheet and consolidated profit or loss form items is as follows:

		2018/12/31		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities – current	Note	$ 93,886	$ -	$ 93,886
Advance sales receipts (showed as Other current liabilities – others)	Note	-	93,886	(93,886)

Comprehensive income statement items:No effects.

Note: Under IFRS 15, liabilities in relation to product sales contracts are recognised as contract liabilities-current, but were previously presented as advance sales receipts (showed as other current liabilities-others) in the balance sheet.

13. Notes Disclosure

(1) Relevant information on major trading matters Loans to others: Please refer to table 1.

1. Loan of funds to others: please refer to Appendix One for details.
2. Endorsement and guarantee for others: please refer to Appendix Two for details.
3. Securities held at the end of the period: (If the disclosed amount exceeds NT $100 million, it does not include investment subsidiaries or joint venture control portion of associated enterprises): please refer to Appendix Three for details.
4. The cumulative purchase or sale of the same security amounted to NT $300 million or more than 20% of the paid-in capital: please refer to Appendix Four for details.
5. The amount of real property acquired amounts to NT $300 million or 20% or more of the paid-in capital: none.
6. Where the amount of real property disposed of amounts to NT $300 million or 20% or more of the paid-in capital, please refer to Appendix Five for details.
7. The amount of purchase and sale with related parties amounts to NT $100 million or more than 20% of paid-in capital: please refer to Appendix Six for details.
8. Amounts receivable from related parties' amount to NT $100 million or more than 20% of paid-in capital: please refer to Appendix Seven for details.
9. Engaging in derivative transactions: please provide details in Notes 6 (2), (14), Notes 12, (2) and (4) for details.
10. Business relations and material transactions between the parent company and its subsidiaries and between subsidiary companies: please refer to Appendix Eight for details.

(2) Relevant information on re-investment undertaking

Name and location of the invested company (if the original investment exceeds NT $200 million at the end of the current period, the invested company in the mainland is not included): please refer to Appendix Nine for details.

(3) Investment information on the mainland

1. Basic data: please refer to Appendix Ten for details.
2. Material transactions arising directly or indirectly from third-region enterprises and invested companies re-invested in the Mainland, namely, prices, terms of payment, and unrealized profit or loss: see Note 7 for details: Related Party Transactions and Note 13, (1) 10 for details.

14. OPERATING SEGMENT INFORMATION

Not applicable.

CMC MAGNETICS CO., LTD.

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 1

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

No. (Note1)	Financing Company	Counterparty	Financial Statement Account (Note2)	Related Party	Maximum Balance for the Period (Note3)	Ending Balance (Note16)	Amount Actually Drawn	Interest Rate(%)	Nature for Financing (Note4)	Transaction Amounts (Note5)	Reason for Financing (Note6)	Loss allowance	Collateral Item	Collateral Value	Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits	Note
0	CMC	Sun Well Solar	Other receivable -related parties	Y	$ 2,400,000	$ 1,200,000	$ 1,142,000	1.75%~2.215%	2	$ -	Need for operating	$ -	Chattel	$1,665,888	$ 2,859,961	$ 7,626,562	Note7
1	Zong Hong	Fortune Multimedia	Other receivable	Y	60,931	58,097	58,097	4.35%	2	-	Need for operating	-	-	-	89,701	89,701	Note8
1	Zong Hong	FJKL Technology (Suzhou)	Other receivable	Y	12,777	12,777	12,777	6.00%	2	-	Need for operating	12,777	-	-	89,701	89,701	Note8、17
2	CMC Movie	Asia1	Other receivable	Y	8,000	8,000	8,000	1.17%~3.30%	2	-	Need for operating	-	-	-	74,845	74,845	Note8
3	Deltamac (H.K.)	Click Play	Other receivable	Y	44,927	44,722	42,078	0.40%	2	-	Need for operating	-	-	-	41,037	46,900	Note10、15
4	Sumagh	FJKL Technology (Suzhou)	Other receivable	Y	102,214	102,214	101,125	4.65%	2	-	Need for operating	101,125	-	-	19,490	19,490	Note11、17
5	EMC Investment Holding	Fortune Multimedia	Other receivable	Y	213,384	212,073	212,073	2.768%~3.628%	2	-	Need for operating	-	-	-	352,062	1,213,362	Note12
5	EMC Investment Holding	CMC	Other receivable	Y	397,475	-	-	0.00%	2	-	Need for operating	-	-	-	1,516,703	1,516,703	Note12
6	SuperNet	FJKL	Other receivable	Y	10,824	10,757	10,757	2.656%~4.818%	2	-	Need for operating	-	-	-	153,675	177,878	Note13、17
7	Fortune (Jiangsu) Electronic	Sunbiotech	Other receivable	Y	17,539	17,005	17,005	4.35%	2	-	Need for operating	-	-	-	59,921	59,921	Note8
8	CMC Entertainment Holding	Asia1	Other receivable	Y	17,000	16,000	16,000	1.17%~3.30%	2	-	Need for operating	-	-	-	17,807	17,807	Note8
9	DELTAMAC (TAIWAN)	Asia1	Other receivable	Y	21,342	19,677	19,216	2.40%	1	24,719	Need for operating	40	-	-	24,719	175,381	Note14

10	CHC	Asia1	Other receivable	Y	280,000	270,000	210,000	1.17%~2.06 %	2	-	Need for operating	-	-	-	300,000	2,601,451	Note9
10	CHC	CMC	Other receivable	Y	1,400,000	1,400,000	1,400,000	1.17%	2	-	Need for operating	-	-	-	2,601,451	2,601,451	Note9

Note1： The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(a) The Company is ‘0’.
(b) The subsidiaries are numbered in order starting from ‘1’.

Note2： Items such as accounts receivable, accounts receivable-related parties, prepayments, suspense payment, etc., which are in this financial statements, are required to be filled in this field.

Note3： The maximum balance of financings provided to others for the period.

Note4： Nature for Financing:
(a) Business transaction calls for a loan arrangement.
(b) The need for short-term financing.

Note5： If the nature of the financing is 'business transactions calls for a loan arrangement', it should be filled in.
It refers to the amount of business transactions between the financing company and the counterparty in last year.

Note6： If the nature of the financing is 'the need for short-term financing',the company should explain the reasons for the necessity to finance and funds and the use of financing. For example: repayment of loans, purchase of equipment, business turnover, etc.

Note7： In total,financings provided can't exceed 40% of the Company's net asset value. Limit of financing amount to the subsidiaries that it’s voting shares are owned over 50%, directly or indirectly, by the company and has business with it, for individual counterparty shall not exceed 15% of the net worth of the company or the business transaction amount between as of the period.
Limit of financing amount to the subsidiaries that it’s voting shares are owned over 50%, directly or indirectly, by the company but has no business with it, for individual counterparty shall not exceed 15% of the net worth of the company.

Note8： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
The limit of financing amount to a individual company shall not exceed 40% of the net worth of the financing company.

Note9： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
The limit of financing amount to a individual company shall not exceed NTD$300,000 (In thousand).
The limit of financing amount from parent company shall not exceed 40% of the company's current net value.

Note10： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
The limit of financing amount to a individual company shall not exceed 35% of the net worth of the financing company.

Note11： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
If the nature of the financing is 'business transactions calls for a loan arrangement', it’s limited to the business transaction amount between as of the period. The business transaction amount between refers to the higher amount of purchases or sales.
Limit of financing amount to an individual counterparty shall not exceed 40% of the net worth of the company.
If the nature of the financing is 'business transactions calls for a loan arrangement', it’s limited to the business transaction amount between as of the period. The business transaction amount between refers to the higher amount of purchases or sales.

Note12： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
Limit of financing amount to an individual counterparty shall not exceed USD$10,000 (In thousand).
Limit of financing amount to a subsidiary shall not exceed 50% of the net worth of the counterparty.
Limit of financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by parent company, which are not located in Taiwan, for individual counterparty shall not exceed 50% of the net worth of the financing company as of the period.

Note13： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
Limit of financing amount to an individual counterparty shall not exceed USD$5,000 (In thousand).
Limit of financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by parent company, which are not located in Taiwan, for individual counterparty shall not exceed 50% of the net worth of the financing company as of the period.

Note14： The total limit of financing amount shall not exceed 40% of the net worth of the financing company.
If the nature of the financing is 'business transactions calls for a loan arrangement', it’s limited to the business transaction amount between as of the period. The business transaction amount between refers to the higher amount of purchases or sales.

Note15： On March 14, 2019, the board of directors of Deltamac (Hong Kong) Co., Limited passed the improvement plan and is expected to complete the improvement on December 31, 2019.

Note16： Multiply the original currency by the exchange rate in the end of the period.

Note17： The relevant procedures have been reported to the Board of Directors in accordance with the “Procedures for Loaning Funds to Others”.

CMC MAGNETICS CO., LTD.

ENDORSEMENTS AND GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 2

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Number (Note1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship (Note2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note7)	Outstanding endorsement/ guarantee amount at December 31, 2018 (Note8)	Actual amount drawn down (Note9)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Investment income (loss) recognized by the Company for the nine months ended December 31, 2018	Provision of endorsements/ guarantees by parent company to subsidiary (Note10)	Provision of endorsements/ guarantees by subsidiary to parent company (Note10)	Provision of endorsements/ guarantees to the party in Mainland China (Note10)	Note
0	CMC	CHC	2	$ 5,719,921	$ 19,200	$ -	$ -	$ -	-	$ 5,719,921	Y	N	N	Note3
0	CMC	Sumagh	2	5,719,921	50,000	50,000	-	-	0.26%	5,719,921	Y	N	N	Note3
						$ 50,000	$ -	$ -						
1	DELTAMAC (TAIWAN)	Deltamac (H.K.)	2	$ 131,536	$ 34,636	$ 34,423	$ 7,684	$ -	7.85%	$ 131,536	Y	N	N	Note4
2	CHC	CMC	3	$ 4,552,540	$ 300,000	$ -	$ -	$ -	-	$ 4,552,540	N	Y	N	Note5
3	Zong Hong	Fortune Multimedia	4	$ 95,332	$ 93,740	$ 44,690	$ -	$ 44,690	19.93%	$ 112,126	N	N	Y	Note6

Note1：The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

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

Note2：Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

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

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

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

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note3：The total amount of endorsements/guarantees shall not exceed thirty percent (30%) of CMC's net worth.

The amount of endorsements/guarantees for a single enterprise shall not exceed thirty percent (30%) of CMC's net worth.

Note4：The total amount of endorsements/guarantees shall not exceed thirty percent (30%) of DELTAMAC(TAIWAN)'s net worth.

The amount of endorsements/guarantees for a single enterprise shall not exceed thirty percent (30%) of DELTAMAC(TAIWAN)'s net worth.

Note5：The total amount of endorsements/guarantees shall not exceed seventy percent (70%) of CHC's net worth.

The amount of endorsements/guarantees for a single enterprise shall not exceed thirty percent (30%) of CHC's net worth.

However,The amount of endorsements/guarantees for parent company shall not exceed seventy percent (70%) of CMC's net worth.

Note6：The total amount of endorsements/guarantees shall not exceed fifty percent (50%) of Zong Hong 's net worth.

The amount of endorsements/guarantees for a single enterprise shall not exceed thirty percent (30%) of Zong Hong 's net worth.

The amount of endorsements/guarantees for parent company, ultimate parent company, and the subsidiaries owned directly and indirectly more than 90% voting shares shall not exceed zero point five percent (0.5%) of ultimate parent company's net worth.

Note7：The maximum balance guaranteed for the endorsements/guarantees of others during the year.

Note8：As of the balance sheet date, when the company signs the endorsements/guarantees contract or bill to the bank which approved it,the copany shall bear the endorsements/guarantees responsibility; and other relevant endorsements/guarantees shall be included in the balance of endorsements/guarantees.

Note9：The actual amount of endorsements/guarantees drawn down.

Note10：Filled in Y, if it's provision of endorsements/guarantees by parent company to subsidiary, provision of endorsements/guarantees by K38subsidiary to parent company, or provision of endorsements/guarantees to the party in Mainland
China.

CMC MAGNETICS CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 3

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Securities held by	Marketable securities（Note1）	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Note
				Number of shares	Book value（Note2）	Ownership (%)	Fair value	
CMC	Common stock of Yageo Corporation		Current financial assets at fair value through profit or loss	1,047,000	$ 351,837	0.25	$ 333,993	
	Common stock of Chateau International Development Co.,Ltd.		"	12,342,421	385,492	11.07	370,273	
	Common stock of Taiwan High Speed Rail Corporation		"	7,451,000	230,161	0.13	227,628	
	Common stock of FarGlory Hotel Co.,Ltd		"	1,624,000	39,394	1.55	64,310	
	Common stock of Walsin Technology Corporation		"	1,880,000	345,764	0.39	289,520	
	Common stock of Tainan Enterprises Co.,LTD and etc.		"		471,751		446,849	
			Valuation adjustment		(91,826)			
					$ 1,732,573		$ 1,732,573	
	Common stock of Chateau International Development Co.,Ltd.		Non-current financial assets at fair value through profit or loss	3,800,000	$ 118,686	3.41	$ 114,000	Note3
	Common stock of FarGlory Hotel Co.,Ltd		"	5,000,000	121,284	4.76	198,000	Note3
			Valuation adjustment		72,030			
					$ 312,000		$ 312,000	
	Common stock of Hexawave Inc. and etc.		Non-current financial assets at fair value through other comprehensive income		$ 40,920			
			Valuation adjustment		(9,060)			
					$ 31,860		$ 31,860	

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

Note2：Fill in the amount after adjusted at fair value for the marketable securities measured at fair value.

Note3：The company provided securities of NT$312,000 as collateral guarantee as of December 31, 2018.

CMC MAGNETICS CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 3

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

				As of December 31, 2018				
Securities held by	Marketable securities（Note1）	Relationship with the securities issuer	General ledger account	Number of shares	Book value（Note2）	Ownership (%)	Fair value	Note
CHC	Common stock of FarGlory Hotel Co.,Ltd		Current financial assets at fair value through profit or loss	9,078,000	$ 216,330	8.65	$ 359,489	
	Common stock of FDC International Hotels Corporation and etc.		"		299,386		287,947	
	Fund investment		"		70,000		70,079	
			Valuation adjustment		131,799			
					$ 717,515		$ 717,515	
	Common stock of Chateau International Development Co.,Ltd.		Non-current financial assets at fair value through profit or loss	5,928,269	$ 162,833	5.32	$ 177,848	
	Common stock of Chung-Hsin Electric & Machinery Mfg. Corp.		"	2,256,730	54,707	0.54	43,555	
			Valuation adjustment		3,863			
					$ 221,403		$ 221,403	
	Common stock of Orgchem Technologies, Inc. and etc.		Non-current financial assets at fair value through other comprehensive income		$ 100,763			
			Valuation adjustment		(35,435)			
					$ 65,328		$ 65,328	

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

Note2：Fill in the amount after adjusted at fair value for the marketable securities measured at fair value.

CMC MAGNETICS CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 3

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Securities held by	Marketable securities（Note1）	Relationship with the securities issuer	General ledger account	Number of shares	As of December 31, 2018 Book value（Note2）	Ownership (%)	Fair value	Note
CIA Holding	Common stock of Mechanic Net Group,Inc. and etc.		Non-current financial assets at fair value through other comprehensive income		$ 18,325			
			Valuation adjustment		(8,129)			
					$ 10,196		$ 10,196	
Supernet	Common stock of Shanghai-Hong Kong Stock Connect and etc.		Current financial assets at fair value through profit or loss		$ 159,870			
			Valuation adjustment		(14,515)			
					$ 145,355		$ 145,355	
	Common stock of High Connection Density,Inc. and etc.		Non-current financial assets at fair value through other comprehensive income		$ 147,739			
			Valuation adjustment		41,137			
					$ 188,876		$ 188,876	
CMC Movie	Guaranteed film investment agreement		Non-current financial assets at fair value through profit or loss		$ 23,758		$ 23,758	
	Common stock of MandarinVision Inc. and etc.		Non-current financial assets at fair value through other comprehensive income		$ 21,500			

		Valuation adjustment		(7,166)		
				$ 14,334		$ 14,334
Asia1	Common stock of Ecbyte Inc.	Non-current financial assets at fair value through other comprehensive income	206,423	$ 1,113	7.86	
		Valuation adjustment		(427)		
				$ 686		$ 686

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.
Note2：Fill in the amount after adjusted at fair value for the marketable securities measured at fair value.

CMC MAGNETICS CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 3

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Securities held by	Marketable securities（Note1）	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value（Note2）	Ownership (%)	Fair value	Note
Sumagh	Time deposit		Current financial assets at amortized cost		$ 4,900			
DELTAMAC(TAIWAN)	Time deposit		Current financial assets at amortized cost		$ 81,123			
	Common stock of Encore Film Co., LTD.		Non-current financial assets at fair value through other comprehensive income	710,345	$ 1,875	6.90	$ 654	
	Common stock of selfpick Inc.		"	500,000	827	6.67	478	
			Valuation adjustment		(1,570)			
					$ 1,132		$ 1,132	
Transtouch	Fund investment		Current financial assets at fair value through profit or loss		$ 89,905		$ 89,088	
	Fubon Financial Holding Co., Ltd. Preferred Shares B		"		15,000		15,500	
			Valuation adjustment		(317)			
					$ 104,588		$ 104,588	
Fortune (Jiangsu) Electronic	CDIB Yida Private Equity (Kunshan) Enterprise (L.P.)		Non-current financial assets at fair value through other comprehensive income		$ 67,033			
			Valuation adjustment		3,696			
					$ 70,729		$ 70,729	

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 ‘Financial instruments’.

Note2：Fill in the amount after adjusted at fair value for the marketable securities measured at fair value.

CMC MAGNETICS CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 4

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Investor	Marketable securities（Note1）	General ledger account	Counterparty （Note2）	Relationship （Note2）	Balance as at January 1, 2018		Addition（Note3）		Disposal（Note3）				Balance as at December 31, 2018	
					Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousand)	Amount
CMC	Fubon SSE180 Leveraged 2X Index ETF	Current financial assets at fair value through profit or loss	-	-	-	-	19,663	$ 687,049	18,963	$ 665,362	$ 666,645	($ 1,283)	700	$ 20,404
〃	Common stock of Asia Cement Corporation	〃	-	-	-	-	7,998	313,810	7,998	305,912	313,810	(7,898)	-	-
〃	Common stock of Compeq Manufacturing Co., LTD.	〃	-	-	-	-	14,564	439,963	14,564	439,156	439,963	(807)	-	-
〃	Common stock of Yageo Corporation	〃	-	-	-	-	10,541	4,049,904	9,494	3,579,146	3,698,067	(118,921)	1,047	351,837
〃	Common stock of Tatung Co.	〃	-	-	-	-	17,462	493,194	16,422	472,479	466,234	6,245	1,040	26,960
〃	Common stock of Walsin Technology Corparation	〃	-	-	-	-	3,040	556,327	1,160	192,250	210,563	(18,313)	1,880	345,764
〃	Common stock of Taiwan High Speed Rail Corporation	〃	-	-	37,726	921,573	15,110	447,860	45,385	1,200,284	1,139,272	61,012	7,451	230,161
〃	Common stock of Largan Precision Co.,Ltd	〃	-	-	-	-	457	1,685,618	457	1,684,288	1,685,618	(1,330)	-	-
〃	Common stock of Win Semiconductors Corp.	〃	-	-	80	23,114	10,191	1,931,546	10,271	1,901,401	1,954,660	(53,259)	-	-
〃	Common stock of Concraft Holding Co., LTD	〃	-	-	82	31,436	6,660	1,487,097	5,945	1,442,817	1,430,427	12,390	797	88,106
〃	Common stock of Career Technology (MFG.) Co., Ltd	〃	-	-	230	9,398	29,479	1,255,310	28,951	1,214,989	1,244,395	(29,406)	758	20,313
〃	Common stock of Globalwafers.Co.,Ltd	〃	-	-	-	-	8,300	2,685,841	7,990	2,534,678	2,595,456	(60,778)	310	90,385
〃	Common stock of Xintec Inc.	〃	-	-	32	2,649	4,779	297,516	4,811	301,287	300,165	1,122	-	-

Note1：Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note2：Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note3：Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

CMC MAGNETICS CO., LTD.

DISPOSAL OF REAL ESTATE REACHING NT$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 5

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Real estate disposaled by	Real estate disposaled	Date of the event	Date of acquirement	Book value	Transaction amount	Status of collection	Gain (loss) on disposal	Counterparty	Relationship	Reason for disposal of real estate	Basis or reference used in setting the price	Other commitments
CHC	Land, houses and buildings	2018/11/13	2006/6/29	$2,010,228	$4,104,468	Settled	$2,094,240	Quanta Computer Inc.	Unrelated parties	To increase working capital and improve financial structure	Note1	None

Note1：The price is subject to the valuation reports issued by Grand Elite real estate appraisers firm and Zhan-Mao real estate appraisers firm.

Note2：It's paid-in capital of the parent company.In the case of a company whose shares have no par value or a par value other than NT$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Note3：Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

CMC MAGNETICS CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 6

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

				Transaction		Differences in transaction terms compared to third party transactions（Note1）			Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Sales /purchases	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note（Note2）
CMC	Fortune Multimedia	Subsidiaries of Memhiro	Purchases	$ 585,863	14%	Because they are related parties, the company's credit term is slightly longer than the average customer.	No significant difference to third parties.	Because they are related parties, the company's credit term is slightly longer than the average customer.	$ 105,508	10%	
〃	HOTAN	〃	Sales	153,091	2%	〃	〃	〃	79,125	6%	

Note1：If the credit terms of the related parties are different from the general credit terms, the difference situation and reason should be stated in the column of the unit price and credit term.

Note2：If there is advance payment or advance receivable, the difference situation about the reason, contract terms, amount with the general transaction type should be stated in the column of note.

CMC MAGNETICS CO., LTD.

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

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 7

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Creditor	Counterparty	Relationship	Balance as at December 31, 2018 (Note1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CMC	Sun Well Solar	Subsidiary of the Company	$ 1,142,000	Note2	$ -	-	$ -	$ -
Fortune Multimedia	CMC	Ultimate parent company	105,508	4.19	-	-	-	-
EMC Investment Holding	Fortune Multimedia	Subsidiary of Saffire	215,883	Note2	-	-	-	-
CHC	CMC	Ultimate parent company	1,400,180	Note2	-	-	-	-
〃	Asia1	Subsidiary of the Company	210,000	Note2	-	-	-	-
Sumagh	FJKL Technology (Suzhou)	Subsidiary of Saffire	262,743	Note2	101,125	The Company has completed the relevant procedures in the event of overdue in accordance with the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.	-	262,743

Note1：Please fill in the accounts receivable, notes receivable, other receivables, etc., respectively.
Note2：Other receivable that caused from the loan of funds is not applicable.

CMC MAGNETICS CO., LTD.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 8

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

No. (Note1)	Company name	Counterparty	Relationship (Note2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note3)
				General ledger account	Amount	Transaction terms	
0	CMC	Fortune Multimedia	1	Purchase	$ 585,863	Note5	6.72%
〃	〃	〃	1	Accounts Payable	105,508	Note5	0.42%
〃	〃	HOTAN	1	Sales	153,091	Note4	1.76%
〃	〃	Sun Well Solar	1	Other Receivable	1,142,000	Note6	4.50%
〃	〃	CHC	1	Other Payable	1,400,180	Note7	5.52%
1	EMC Investment Holding	Fortune Multimedia	1	Other Receivable	215,883	Note6	0.85%
2	CHC	Asia1	3	Other Receivable	210,000	Note6	0.83%
3	Sumagh	Texture	1	Sales	5,276	Note8	0.06%

Note1：The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is "0".

(2) Subsidiaries were numbered from 1.

Note2：Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiaries.

Note3：Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note4：The transaction price of the company for the related party is equivalent to the non-related party. The transaction terms for foreign subsidiaries and Subsidiary of Saffire is 60 days to 120 days after the arrival of the goods.

The Transaction terms for foreign customers is 30 days to 120 days after the arrival of goods, while it for domestic customers is monthly checkout,which are paid by O/A for 90 days to 120 days.

Note5：The company's purchase from Fortune Multimedia is not comparable to other company. Except for the transaction terms, which are paid by O/A for 90 days, of Fortune Multimedia, the transaction terms for other related parties is paid by 90 days after monthly checkout.

Note6：There are funding receivable, advances receivable and receivable which comes form purchase of raw materials.

Note7：It is funding payable.

Note8：The Sumagh's transaction price of the related parties and non-related parties is different from the general customers depending on their sales regions or product categories.

The transaction terms between Sumagh and the related parties depends on their operating conditions to determine credit period.

CMC MAGNETICS CO., LTD.

INFORMATION ON INVESTEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 9

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Investor	Investee (Note1、2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018 (Note2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note2(3))	Note
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
CMC	EMC	United Kingdom	Production and sale of floppy discs and optical discs	$ -	$ 1,197,594	-	-	$ -	$ 31	$ 31	Subsidiaries of the Company(Note4)
CMC	EMC Investment Holding	Cayman Islands	Investments holding company	10,453,855	10,938,208	61,527	100.00	3,035,427	(455,423)	(455,423)	Subsidiaries of the Company
CMC	CIA Holding	Cayman Islands	Investments holding company	872,018	872,018	29,688,245	86.35	457,402	(12,061)	(10,589)	Subsidiaries of the Company
CMC	CHC	Taiwan	Invest in various production operations	880,421	880,421	331,595,273	100.00	6,184,959	2,298,700	2,306,920	Subsidiaries of the Company
CMC	CMC Movie	Taiwan	Film production	1,297,918	1,297,918	35,000,000	100.00	188,561	(3,166)	(3,176)	Subsidiaries of the Company
CMC	Asia1	Taiwan	Film distribution video production, distribution and toy retail	856,125	856,125	11,868,528	93.59	(153,106)	(29,208)	(27,336)	Subsidiaries of the Company
CMC	Sumagh	Taiwan	Cloth dyeing and finishing, weaving processing and trading of all kinds of textiles Manufacturing and trading of electronic products	1,709,291	1,709,291	7,543,758	47.10	(47,850)	(64,358)	(24,691)	Subsidiaries of the Company
CMC	CMC Entertanment Holding	Taiwan	Film production and distribution	714,888	714,888	66,400,000	100.00	44,518	(640)	(640)	Subsidiaries of the Company
CMC	Transtouch	Taiwan	Production and sales of touch panels and other products	516,171	472,802	15,365,223	52.44	432,686	74,005	38,176	Subsidiaries of the Company(Note5)

CMC	Sun Well Solar	Taiwan	Production and sales of thin film solar cells	3,516,412	3,516,412	154,991,112	98.82	114,629	(973,012)	(961,531)	Subsidiaries of the Company
CMC	SUN Q CORPORATION	Taiwan	Production and sales of Silicon crystal solar panels	664,676	664,676	64,052,000	58.20	(23,799)	(304)	2,829	Subsidiaries of the Company
CMC	DELTAMAC(TAIWAN)	Taiwan	Sales of audio and video disc products	315,435	313,788	22,004,575	30.09	158,607	(27,099)	8,936)	Subsidiaries of the Company
CMC	CMC Entertanment HUB	Taiwan	Shopping mall	170,000	120,000	17,000,000	100.00	83,831	(31,664)	(31,664)	Subsidiaries of the Company
EMC InvestmentHolding	F5 Holdings	United States of America	Investments holding company	$ 2,346,049	$ 2,816,554	14,805	100.00	$ 257,102	($ 42,982)	$ -	Subsidiary of Saffire(Note3)
EMC Investment Holding	MFLLC	United States of America	Investments holding company	1,283,980	1,283,980	-	100.00	653,973	(179,066)	-	Subsidiary of Saffire(Note3)
EMC Investment Holding	Jet-Thai	Thailand	Production and sales of optical discs	4,207,638	4,207,638	49,200,416	100.00	1,289,818	(195,766)	-	Subsidiary of Saffire(Note3)
EMC Investment Holding	Other	Other		-	-	-	-	181,166	-	-	(Note3)
F5 Holdings	HOTAN	United States of America	Sale of electronic products such as floppy disks and optical discs	466,697	558,902	14,990,000	100.00	249,951	(23,216)	-	Subsidiaries of Memhiro which was held by F5 Holdings(Note3)
CIA Holding	SuperNet	British Virgin Islands	Investments holding company	577,337	577,337	5,720,085	100.00	480,906	(10,164)	-	Subsidiary of Saffire(Note3)
CIA Holding	Other	Other		-	-	-	-	91,106	-	-	(Note3)
CHC	CIA Holding	Cayman Islands	Investments holding company	111,185	111,185	4,692,049	13.65	103,607	(12,061)	-	Subsidiaries of the Company(Note3)
CHC	Sumagh	Taiwan	Cloth dyeing and finishing, weaving processing and trading of all kinds of textiles Manufacturing and trading of electronic products	483,606	483,606	5,030,692	31.41	19,091	(64,358)	-	Subsidiaries of the Company(Note3)
CHC	VIESHOW Cinemas	Taiwan	Management of cinemas, restaurants and playgrounds	14,090	14,090	23,970,000	29.96	457,788	393,732	-	Invested company used Equity Method of a subsidiary, CNS, of the company(Note3)

CHC	Other	Other		-	-	-	-	64,956	-	-	
Sumagh	FJKL TECHNOLOGY	Taiwan	Backlight module trading	235,700	235,700	2,537,497	100.00	(3,531)	(419)	-	Subsidiary of Saffire(Note3)
Sumagh	Other	Other		-	-	-	-	3,433	-	-	(Note3)

Note1：If a public company has a foreign holding company wich used the consolidated financial report as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign invested company may only reveal relevant information to the holding company.

Note2：Those who are not in the situation described in Note1 shall fill in the following rules:

（1）In those column "Investee","Location","Main business activities","Initial investment amount", and "Shares held as at December 31, 2018", it should be filled in according to the order of the investment situation of the company and the reinvestment of each investee directly or indirectly held.

Moreover,in the note column, the relationship between each invested company and the public company (such as a subsidiary or a subsidiary of Saffire) is indicated.

（2）In the column “Net profit (loss) of the investee for the year ended December 31, 2018”, the current profit and loss amount of each investee should be filled in.

（3）In the column "Investment income (loss) recognized by the Company for the year ended December 31, 2018", according to regulation, it only disclose the share of profits/losses of investee recognized by CMC.

When filling in the “recognition of the profit and loss of each subsidiary which direct invested by CMC of the current period”, it should be confirmed that the profit and loss of each subsidiary's profit and loss has included the investment profit and loss that should be recognized in accordance with the reinvestment.

Note3：CMC MAGNETICS CO., LTD. did not directly recognize the investment income (loss).

Note4：The company has been liquidated in 2018.

Note5:The company provided Transtouch's 2,643 shares (in thousand) as a pledge guarantee as of December 31, 2018.

CMC MAGNETICS CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

TABLE 10

Amounts in thousands of New Taiwan dollars

(Unless stated otherwise)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2018 (Note2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Note
					Remitted to Mainland China	Remitted back to Taiwan			(%)				
Fortune (Jiangsu) Multimedia Co., Ltd	Production and sales of optical discs	$ 1,345,476	2	$ 1,345,476	$ -	$ -	$ 1,345,476	($ 200,162)	97%	($ 194,158)	$ 694,527	$ -	Note2(2)B
Zong Hong Packing Products (Dongguan) Co., Ltd.	Production and sales of plastic boxes, boxes, baskets and similar products	345,376	2	345,376	-	-	345,376	(19,629)	100%	(19,629)	228,106	-	Note2(2)B
Fortune (Jiangsu) Electronic Materials Co., Ltd.	Production and sales of plastic boxes, boxes, baskets and similar products	777,852	2	777,852	-	-	777,852	(12,997)	100%	(12,997)	149,802	-	Note2(2)B
Nantong Zhongxing Multimedia Co., Ltd.	Production and sales of optical discs	35,678	2	35,678	-	-	35,678	2,202	49%	1,079	8,213	-	Note2(2)B
FJKL Technology (Suzhou)Co.,LTD	Assembly of backlight module	570,136	2	170,265	-	-	170,265	(1,776)	71.04%	(1,261)	190,535	-	Note2(2)B
Nantong Fortune Electronics Co., Ltd.	Sales of optical discs and related products	-	3	-	-	-	-	-	-	-	-	-	Note2(2)B、Note4and5
Sun Biotech Limited(Natong)	Biological probiotics research and development and wholesale	14,786	2	14,786	-	-	14,786	(5,446)	50%	(2,722)	(21,841)	-	Note2(2)B

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of DECEMBER 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
CMC MAGNETICS CO., LTD.	$ 2,978,950	$ 4,444,020	$ 11,696,540

Note1： Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (EMC Investment Holding and FJKL Technology(BVI) Corp.), which then invested in Mainland China.

(3) Others.

Note2：The investment income (loss) recognized in current period:

(1) Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

(2) The investment income (loss) were determined based on the following basis:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.

c. Others.

Note3：The relevant figures in this form should be listed in New Taiwan Dollars.

Note4：It is directly invested by Fortune (Jiangsu) Electronic Materials Co., Ltd. with a capital of RMB 2,000 (In thousand).

Note5：The company has been liquidated in 2018.The funds have been remitted back to the original investment company, EMC Holding Investment, but have not yet been repatriated to Taiwan.