

TAIWAN MASK CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report Thereon

December 31, 2018 and 2017

(Stork code : 2338)

Address : No. 11, Innovation Rd. I, Science-Based Industrial Park,
Hsinchu, Taiwan, R.O.C.

Telephone : 886-3-563-4370

Taiwan Mask Corporation and Subsidiaries
Affiliates Consolidated Financial Statements

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

Truly yours,

Taiwan Mask Corporation

Chairman: K.J. Wu

2019/3/20

Auditor's Report

(108)Tsai-Shen-Bao No.18003611

To Taiwan Mask Corporation

Opinion

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

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

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

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

Evaluation of Inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(5)

for the detail description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2018 is NT\$ 569,547 thousand and NT\$ 160,972 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in semiconductor industry. Due to the rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuation and inventory obsolete is higher than other industry. Since the inventory amount is material in this Group, the evaluation of inventories has been identified a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Based on the understanding of the operation and industrial nature of the reticle group, it is reasonable to assess the policies and procedures adopted for the inventory allowance for impairment losses.
2. Evaluate management's inventory assessment report to verify the correctness of inventory age.
3. Verify the amount of the net realizable value of the inventory to confirm the admissibility of the inventory evaluation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4 (25) of the financial report; the operating income in 2018 is NT\$2,885,982.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors. The sales customers are numerous and scattered. The trading conditions vary according to market conditions and customer needs. Considering the sales revenue is the main transaction of the company. The consolidated financial statements have a significant impact. The accountant believes that the recognition of its sales revenue is one of the most important matters for the year.

How our audit addressed the matter

The audit procedures that the accountant has implemented are as follows :

1. Understand the type of major income and assess internal operations, review revenue recognition accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to verify the appropriateness of the sales revenue.
3. For the balance of accounts receivable at the end of the period, execute the certificate and balance confirmation test procedures, and perform tests on the adjustment items of the letter of the letter to confirm that the differences have been properly adjusted.
4. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Other matter-Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Independent Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

For and on behalf of PricewaterhouseCoopers, Taiwan

Tina Cheng

Certified Public Accountants

Daniel Lee

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2018 AND 2017

in thousand NTD

Assets		Notes	DECEMBER 31, 2018		DECEMBER 31, 2017			
			AMOUNT	%	AMOUNT	%		
Current Assets								
1100	Cash and Cash Equivalents	6(1)	\$	563,408	15	\$	636,955	20
1110	Financial Asset at Fair Value Through Profit or Loss-Cur.	12(4)		-	-		22,891	1
1136	Financial Assets at Amortized Cost- Cur.	6(3)		54,335	1		-	-
1147	Debt Investments in No Active Market-Cur.	12(4)		-	-		21,699	1
1150	Notes Receivables(Net)	6(4)		1,277	-		2,633	-
1170	Accounts Receivables(Net)	6(4)		597,152	16		469,460	15
1180	Accounts Receivables — Related Parties(Net)	6(4) and7		4,178	-		1,089	-
1200	Other Receivables			13,607	-		17,356	1
1210	Other Receivables — Related Parties	7		4,636	-		7,590	-
1220	Tax Assets			710	-		8,254	-
130X	Inventories	6(5)		408,575	11		343,997	11
1410	Prepayments			77,026	2		88,103	3
1470	Other Current Assets			9,479	-		3,215	-
11XX	Total Current Assets			1,734,383	45		1,623,242	52
Non-Current Assets								
1510	Financial Asset at Fair Value Through Profit or Loss-Non Cur.	6(2)		731,826	19		-	-
1523	Available-for-Sale Financial Assets - Non Current	12(4)		-	-		230,986	8
1535	Financial Assets at Amortized Cost-Non Cur.	6(3) and8		29,727	1		-	-
1550	Investment under Equity Method	6(6)		126,760	3		96,197	3
1600	Properties, Plants and Equipment	6(7)and8		966,563	25		989,220	32
1780	Intangible Assets			112,544	3		38,291	1
1840	Deferred Income Tax Assets	6(22)		5,238	-		27,017	1
1900	Other Non-Current Assets	6(11)and8		157,277	4		105,196	3
15XX	Total Non-Current Assets			2,129,935	55		1,486,907	48
1XXX	Total Assets		\$	3,864,318	100	\$	3,110,149	100

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Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
DECEMBER 31, 2018 AND 2017

in thousand NTD

Liabilities and Equities		Notes	DECEMBER 31, 2018		DECEMBER 31, 2017	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short Term Loans	6(8)	\$ 591,000	15	\$ 81,253	3
2130	Contract Liabilities- Current	6(16)	58,701	2	-	-
2150	Notes Payables		54	-	234	-
2170	Accounts Payables		236,387	6	157,789	5
2200	Other Payables		287,675	7	173,071	5
2220	Other Payables — Related Parties	7	1,003	-	-	-
2230	Current Income Tax Liabilities		17,744	1	19,223	1
2300	Other Current Liabilities		45,733	1	124,513	4
21XX	Total Current Liabilities		1,238,297	32	556,083	18
Non-Current Liabilities						
2540	Long-term Loans	6(9)	-	-	24,627	1
2570	Deferred Income Tax	6(22)	17,189	-	15,609	-
2640	Defined Benefit Liabilities- Non Current	6(11)	21,917	1	28,914	1
2645	Guarantee deposits received		3,223	-	94	-
2670	Other Non-Current Liabilities	6(10)	9,881	-	5,682	-
25XX	Total Non-Current Liabilities		52,210	1	74,926	2
2XXX	Total Liabilities		1,290,507	33	631,009	20
Equities Attributable to Parent Company						
Stock						
3110	Common Stock	6(12)	2,527,136	65	2,527,136	81
Additional Paid-in Capital						
3200	Additional Paid-in Capital	6(13)	169,431	5	212,948	7
Retained Earnings						
3310	Legal Reserve	6(14)	524,792	14	599,009	19
3320	Special Reserve		14,287	-	14,287	-
3350	Uncompensated Deficit		199,736	5 (	74,216) (	2)
Other Equities						
3400	Other Equities	6(15)	7,853	-	11,207	-
3500	Treasury Stock	6(12)	(884,741)	(23)	(884,741)	(28)
31XX	Total Equities Attributable to Parent Company		2,558,494	66	2,405,630	77
36XX	Non-Controlling Interests		15,317	1	73,510	3
3XXX	Total Equities		2,573,811	67	2,479,140	80
Major Commitments and Contingencies						
Major Events after Financial Statement Date						
3X2X	Total Liabilities and Equities	9 11	\$ 3,864,318	100	\$ 3,110,149	100

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

		in thousand NTD (Except gain (loss) per share is in NTD)			
Items	Notes	2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating Incomes	6(16)and14	\$ 2,885,982	100	\$ 1,427,073	100
5000 Operating Costs	6(5)	(2,256,974)	(78)	(1,183,400)	(83)
5900 Gross Income from Operations		<u>629,008</u>	<u>22</u>	<u>243,673</u>	<u>17</u>
Operating Expenses					
6100 Selling Expenses		(114,735)	(4)	(118,108)	(8)
6200 Administrative Expenses		(143,525)	(5)	(74,276)	(5)
6300 R & D Expenses		(113,965)	(4)	(59,193)	(4)
6450 Expected Credit Impairment Benefit		<u>2,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total Operating Expenses		<u>(369,472)</u>	<u>(13)</u>	<u>(251,577)</u>	<u>(17)</u>
6900 Operating Gain & Loss		<u>259,536</u>	<u>9</u>	<u>(7,904)</u>	<u>-</u>
Non-Operating Incomes and Losses					
7010 Other Incomes	6(17)	30,044	1	6,449	-
7020 Other Gains and Losses	6(18)	(36,415)	(1)	(3,093)	-
7050 Financial Costs	6(19)	(5,573)	-	(3,646)	-
7060 The share of affiliates and joint venture profits and losses recognized by the equity method		<u>(43,946)</u>	<u>(2)</u>	<u>(57,075)</u>	<u>(4)</u>
7000 Total Non-Operating Incomes and Losses		<u>(55,890)</u>	<u>(2)</u>	<u>(57,365)</u>	<u>(4)</u>
7900 Earnings (Loss)Before Tax		203,646	7	(65,269)	(4)
7950 Income Tax Expense (Benefit)	6(22)	<u>(57,826)</u>	<u>(2)</u>	<u>(23,284)</u>	<u>(2)</u>
8200 Net Income (Loss)		<u>\$ 145,820</u>	<u>5</u>	<u>(\$ 88,553)</u>	<u>(6)</u>

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Items	Notes	in thousand NTD (Except gain (loss) per share is in NTD)			
		2018		2017	
		AMOUNT	%	AMOUNT	%
Other Comprehensive Incomes (Net)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Re-measurements of defined benefit plan		\$ 650	- (\$ 38)		-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations		649	-	2,462	-
8362 Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets		-	-	291,380	20
8360 Total Components of other comprehensive income that will be reclassified to profit or loss		649	-	293,842	20
8500 Total Comprehensive Incomes		<u>\$ 147,119</u>	<u>5</u>	<u>\$ 205,251</u>	<u>14</u>
Net Incomes (Losses) Attributable to :					
8610 Parent Company		\$ 199,203	7 (\$ 74,177) (		5)
8620 Non-Controlling Interest		(53,383)	(2) (	(14,376)	(1)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Items	Notes	in thousand NTD (Except gain (loss) per share is in NTD)			
		2018		2017	
		AMOUNT	%	AMOUNT	%
Total		<u>\$ 145,820</u>	<u>5</u>	<u>(\$ 88,553)</u>	<u>(6)</u>
Total Comprehensive Incomes					
(Losses) Attributable to :					
8710 Parent Company		\$ 200,011	7	(\$ 27,427)	(2)
8720 Non-Controlling Interest		<u>(52,892)</u>	<u>(2)</u>	<u>232,678</u>	<u>16</u>
Total		<u>\$ 147,119</u>	<u>5</u>	<u>\$ 205,251</u>	<u>14</u>
Basic Gain (Loss) per Share	6(23)				
9750 Net Gain (Loss)		<u>\$</u>	<u>1.02</u>	<u>(\$</u>	<u>0.33)</u>
Diluted Gain or Loss per Share	6(23)				
9850 Net Gain (Loss)		<u>\$</u>	<u>1.01</u>	<u>(\$</u>	<u>0.33)</u>

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

Taiwan Mask Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Equities Attributable to Parent Company

in thousand NTD

Equities Attributable to Parent Company												In thousands (¥100 million)
		Retained Earnings					Other Equities					
							Conversion balance of financial statement translation of foreign operating agencies	Unrealized Evaluation Profit and Loss of Available-for-Sales Financial Assets			Non-Controlling Interest	Total Equities
	Notes	Common Stock	Additional Paid-in Capital	Legal Reserves	Special Reserves	Uncompensated Deficit			Treasury Stock	Total		
For the year ended December 31, 2017												
Balance at January 1, 2017		\$ 2,527,136	\$ 180,286	\$ 761,097	\$ 14,287	(\$ 162,088)	\$ 5,719	(\$ 41,301)	(\$ 290,994)	\$ 2,994,142	\$ 223,359	\$ 3,217,501
Net Loss		-	-	-	-	(74,177)	-	-	-	(74,177)	(14,376)	(88,553)
Other Comprehensive Profit or Loss	6(15)	-	-	-	-	(39)	1,732	45,057	-	46,750	247,054	293,804
Total Comprehensive Profit or Loss		-	-	-	-	(74,216)	1,732	45,057	-	(27,427)	232,678	205,251
Year 2016 Deficit Compensated												
with Legal Reserves	6(14)	-	-	(162,088)	-	162,088	-	-	-	-	-	-
APIC-Dividend Paid by Parent Company and received by Subsidiaries	6(13)	-	5,628	-	-	-	-	-	-	5,628	-	5,628
Changes of the Shares Invested in Subsidiaries	6(13)	-	27,034	-	-	-	-	-	-	27,034	(43,987)	(16,953)
Buy-Back Treasury Stock		-	-	-	-	-	-	-	(667,963)	(667,963)	-	(667,963)
Decrease of Non-Controlling Interest		-	-	-	-	-	-	-	-	-	(338,540)	(338,540)
Subsidiaries Sold Out the Shares of Parent Company—Treasury Stock Transaction		-	-	-	-	-	-	-	74,216	74,216	-	74,216
Ending Balance as of 2017/12/31		\$ 2,527,136	\$ 212,948	\$ 599,009	\$ 14,287	(\$ 74,216)	\$ 7,451	\$ 3,756	(\$ 884,741)	\$ 2,405,630	\$ 73,510	\$ 2,479,140
For the year ended December 31, 2018												
Beginning Balance as of 2018/1/1		\$ 2,527,136	\$ 212,948	\$ 599,009	\$ 14,287	(\$ 74,216)	\$ 7,451	\$ 3,756	(\$ 884,741)	\$ 2,405,630	\$ 73,510	\$ 2,479,140
Impact of Retroactive Applications	6(15)	-	-	-	-	3,756	-	(3,756)	-	-	-	-
Adjusted Balance as of January 1, 2018		2,527,136	212,948	599,009	14,287	(70,460)	7,451	-	(884,741)	2,405,630	73,510	2,479,140
Net Income		-	-	-	-	199,203	-	-	-	199,203	(53,383)	145,820
Other Comprehensive Profit or Loss	6(15)	-	-	-	-	406	402	-	-	808	491	1,299
Total Comprehensive Profit or Loss		-	-	-	-	199,609	402	-	-	200,011	(52,892)	147,119
Year 2017 Deficit Compensated												
with Legal Reserves	6(14)	-	-	(74,217)	-	74,217	-	-	-	-	-	-
Changes of the Shares Invested in Subsidiaries	6(13)	-	(4,946)	-	-	(3,630)	-	-	-	(8,576)	-	(8,576)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	6(13)	-	(38,571)	-	-	-	-	-	-	(38,571)	-	(38,571)
Decrease of Non-Controlling Interest		-	-	-	-	-	-	-	-	-	(5,301)	(5,301)
Balance at December 31, 2018		\$ 2,527,136	\$ 169,431	\$ 524,792	\$ 14,287	\$ 199,736	\$ 7,853	\$ -	(\$ 884,741)	\$ 2,558,494	\$ 15,317	\$ 2,573,811

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

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD

	Notes	FOR THE YEARS ENDED DECEMBER 31,2018	FOR THE YEARS ENDED DECEMBER 31,2017
<u>Cash Flow from Operating Activities</u>			
Net Income(Loss) Before Tax		\$ 203,646	(\$ 65,269)
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(20)	146,423	160,373
Amortization	6(20)	3,131	2,187
Expected Credit Impairment Benefit / Bad Debt Expenses	(	2,753)	18,167
Interest Incomes	6(17)	(3,158)	(2,963)
Interest Expenses	6(19)	5,573	3,647
Allowances for Sales Return and Discounts		-	183
Net Profit of Financial Asset at Fair Value Through Profit or Loss	6(18)	12,430	(1,348)
Dividend income	6(17)	(16,264)	(2,128)
The Share of Affiliates Profits and Losses Recognized by the Equity Method		43,946	57,075
Gains (loss) on Disposal of Property, Plants and Equipment	6(18)	33,489	(1,748)
Gain (loss) on disposal of investments	6(18)	649	(61,585)
Impairment Loss of Financial Assets	6(18)	(3,735)	23,970
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets related to Operating Activities			
Force of Financial Asset at Fair Value Through Profit or Loss	(	529,269)	524,578
Notes Receivable		1,356	7,322
Accounts Receivable	(	94,491)	9,635
Accounts Receivable-related Parties	(	935)	7,068
Other Receivables		4,022	(18,799)
Other Receivables-related Parties		4,251	(1,506)
Inventories	(	12,744)	(17,261)
Prepayments		3,775	2,297
Other Current Assets		6,908	(38)
The Changes of Liabilities related to Operating Activities			
Contract Liabilities	(	24,888)	-
Notes Payable	(	181)	156
Accounts Payable		43,488	(15,414)
Other Payables		39,102	36,388
Other Payables- related Parties		1,003	-
Other Current Liabilities	(	3,615)	(48,881)
Accrued Pension Liability	(	7,102)	(13,351)
Other Non-Current Liabilities		-	(220)
Net Cash In-Flow (Out-Flow) from Operating Activities	(	145,943)	602,535
Interest Received		3,112	3,093
Dividends Received		16,264	2,128
Interest Paid	(	4,469)	(3,647)
Income Tax Paid	(	28,403)	(5,744)
Net Cash In-Flow(Out-Flow) from Operating Activities	(	159,439)	598,365

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Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

in thousand NTD

	<u>Notes</u>	<u>FOR THE YEARS ENDED DECEMBER 31,2018</u>	<u>FOR THE YEARS ENDED DECEMBER 31,2017</u>
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 32,635)	\$ -
Disposal of Amortized Cost Financial Assets		15,995	-
Disposal of Debt Investment in No Active Market		-	434,376
Acquisition of Available-for-sales Financial Assets		-	(67,254)
Disposal of Available-for-sales Financial Assets		-	14,008
Acquisition of investment property by the Equity Method		(66,991)	(49,864)
Cash Out-Flow from Merge		(149,693)	(37,797)
Acquisition of Property, Plants and Equipment	6(27)	(205,618)	(129,816)
Disposal of Property, Plants and Equipment		29,453	-
Acquisition of Intangible Assets		(2,163)	(977)
Disposal of Intangible Assets		-	4,437
Increase of Other Financial Assets		-	(3)
Increase of Refundable Deposits		(1,105)	(2,131)
Net Cash In-Flow(Out-Flow) from Investment Activities		(412,757)	164,979
<u>Cash Flow from Funding Activities</u>			
Increase of Short Term Loan		916,000	25,092
Redemption of Short Term Loan		(406,253)	-
Redemption of Long Term Loan		(26,303)	(415)
Buy Back Treasury Stock		-	(357,063)
Treasury Stock Transactions		-	239,893
Lease account payable		11,525	-
Increase of Guarantee Deposits		3,029	6
The Changes of Non-Controlling Interests		-	(319,502)
Net Cash In-Flow (Out-Flow) from Funding Activities		497,998	(411,989)
Adjustments of Exchange Rate		651	5,229
Increase (Decrease) of Cash and Cash Equivalents		(73,547)	356,584
Beginning Balance of Cash and Cash Equivalents		636,955	280,371
Ending Balance of Cash and Cash Equivalents		\$ 563,408	\$ 636,955

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

TAIWAN MASK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY

TAIWAN MASK CORPORATION (TMC or the Company) was established in the Republic of China (R.O.C.) on 1988/10/21 and first operated in March, 1989. Based on the resolution made on 2000/6/12 shareholders' meeting, TMC merged Shin-Tai Corporation on 2000/12/1. The Company and the subsidiaries (the Group) is primarily engaged in the research, development, manufacturing and selling of Mask and Circuit, and also provide technology assistance, consultation, inspection and maintenance services for Mask and Circuit. The Group is also manufacturing and selling medical wares.

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

These consolidated financial statements were reported to the Board of Directors and issued on March 20, 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 to 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	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, 2018

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

A. IFRS 9, "Financial instruments"

- (A) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortized 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.
- (B) 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 Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

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

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify customer contract.

Step 2: Identify contract liabilities.

Step 3: Define transaction price.

Step 4: Allocate transaction price into contract liabilities.

Step 5: Recognize revenue when finish contract liabilities.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IAS 7, 'Disclosure initiative'

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

The Group expects to provide additional disclosure to explain the changes in liabilities arising 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 Group

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

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

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

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and 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 Group expects to recognize the lease contract of lessees in line with IFRS 16. Accordingly, on January 1, 2018, the Group will have to increase 'right-of-use asset' by \$329,853 and increase lease liability by \$329,853, respectively.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs 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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable

returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group re-measures 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 the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2018	December 31, 2017	
Taiwan Mask Corporation	Taiwan Mask Corp.-USA	Selling of masks	-	100	Note 6
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Investing in communication business	100	100	
Taiwan Mask Corporation	Youe Win Capital Corporation	Investing in communication business	-	100	Note 4
Taiwan Mask Corporation	Youe Chung Capital Corporation	Investing in communication business	100	100	Note 4
Taiwan Mask Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	30.26	30.26	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Taiwan Mask Corporation	Weida Hi-Tech	Research, design, development, manufacturing and sales of display panel control chips and modules	100	-	Note 5
Youe Win Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	-	21.48	Note 4
Youe Win Capital Corporation	Suichang Investment Co., Ltd.	Investing in communication business	-	100	Note 4
Youe Chung Capital Corporation	Innova Vision INC.	Medical device manufacturing, wholesale and trading	32.06	10.58	Note 4
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Investing in communication business	100	100	Note 1
Miracle Technology CO., LTD.	Miracle Technology (Samoa)Co., Ltd.	Investing in communication business	100	100	Note 1
Jingjing Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2018	December 31, 2017	
Jingjing Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Miracle Technology (Samoa) Co., Ltd.	Misun Technology Co., Ltd.	Investing in communication business	100	100	Note 1
Misun Technology Co., Ltd.	Miracle International Enterprise(Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	100	100	Note 1
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	64.29	-	Note 3
Miracle International Enterprise(Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	35.71	-	Note 3
Youe Chung Capital Corporation	Suichang Investment Co., Ltd.	Investing in communication business	-	-	Note 4
Innova Vision INC.	Innova Technology Company	Medical device manufacturing, wholesale and trading	100	100	
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	Investing in communication business	100	100	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	9.23	-	
Innova Vision INC.	Calaview International Holding Company Limited	Investing in communication business	100	-	Note 2
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Medical device manufacturing, wholesale and trading	90.77	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Remark
			December 31, 2018	December 31, 2017	
Calaview International Holding Company Limited	Innova Vision Shenzhen	Medical device manufacturing, wholesale and trading	100	-	Note 2
Weida Hi-Tech	Touch Hi-Tech	Touch screen system hardware design and software development and production	100	-	Note 5
Weida Hi-Tech	Smart Touch Co., Ltd.	Investing in communication business	100	100	Note 5
Weida Hi-Tech	Central Star Ltd.	Investing in communication business	22.30	35.71	Note 5
Smart Touch Co., Ltd.	Central Star Ltd.	Investing in communication business	77.70	64.29	Note 5
Central star Ltd.	Touch Hi-Tech	Touch screen system hardware design and software development and production	-	100	Note 5

Note1 : The company acquired Miracle Technology 100% shares, and then the income and loss from Miracle Technology were combined into the consolidated financial statements of the company.

Note2 : The Group acquired Calaview International Holding Company Limited 100% shares, also acquired its subsidiary Innova Vision Shenzhen 100% shares indirectly. Starting from that time, the income and loss from Calaview and its subsidiary were combined into the consolidated financial statements of the company.

Note3 : In March 2007, the Group jointly invested and established Sichuan Miracle Electronic Technology Co., Ltd., and held 71.42% of the shares. The company's income and loss were included in the consolidated statement since the acquisition of control, and it was obtained in December of the Republic of China. 100% equity.

Note4 : The group organized reorganization, and the company's related assets and liabilities were merged into Yu Chuan Investment Co., Ltd., in May 2018.

Note5 : In August 2018, the company obtained control through the acquisition of the equity of Wei Dao Hi-Tech Co., Ltd., and incorporated the income and loss of the company and its subsidiaries into the consolidated statement since the acquisition of control 100% equity in November 2018.

Note6 : The Company was dissolved in 2018.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2018 and 2017 the non-controlling interest amounted to \$15,317 and \$73,510, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest				
		December 31, 2018		December 31, 2017		
subsidary	Main business activities	Amount	Ownership (%)	Amount	Ownership (%)	Remark
Inova Vision INC. and subsidiary	Taiwan	\$ 15,317	37.68%	\$ 67,202	37.68%	

Summarized financial information of the subsidiaries:

Balance sheets

	Innova Vision INC. and subsidiary	
	December 31, 2018	December 31, 2017
Current assets	\$ 230,150	\$ 265,385
Non-current assets	74,607	124,283
Current liabilities	(259,250)	(211,242)
Non-current liabilities	(4,854)	(67)
Total net assets	<u>\$ 40,653</u>	<u>\$ 178,359</u>

Statements of comprehensive income

		Innova Vision INC. and subsidiary	
		2018	2017
Income		\$ 161,782	\$ 166,766
Gain (loss) before income tax		(\$ 124,489)	(\$ 128,099)
Tax income(gain)		(5,621)	(2,671)
Income (loss) from Continuing Operation		(130,110)	(130,770)
Income (loss) from Continuing Operation		(130,110)	(130,770)
Other comprehensive income (net after tax)		(1,565)	1,941
Total comprehensive income for the period		(\$ 131,675)	(\$ 128,829)
Total comprehensive income attributable to Non-controlling interest		(\$ 55,482)	(\$ 48,540)
Payment to non-controlling equity dividends		\$ -	\$ -

Statements of cash flows

		Innova Vision INC. and subsidiary	
		2018	2017
Cash provided by (used in) operating activities		(\$ 12,842)	(\$ 30,209)
Cash provided by (used in) investing activities		(25,167)	(24,759)
Cash provided by (used in) financing activities		51,651	50,000
Effects of exchange rate change on cash and cash equivalents		(2,214)	1,938
Net increase (decrease) in cash and cash equivalents		11,428	(3,030)
Cash and cash equivalents at beginning of year		17,612	20,642
Cash and cash equivalents at end of year		\$ 29,040	\$ 17,612

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (A) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
 - (B) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
 - (C) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.
- (5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (B) Assets held mainly for trading purposes;
 - (C) Assets that are expected to be realized within twelve months from the balance sheet date;

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

(6) Cash equivalents

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

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

- A. 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.
- B. 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.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (A) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (B) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Group 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 Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Operating leases (lessor)

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

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' 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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the

Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3~56years
Machinery and equipment	2~14years
Utility equipment	3~6years
Transportation equipment	3~6years
Leasehold assets	2~10years
Mold equipment	2years
Other equipment	3~5years

(16) Operating leases (lessee)

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

(17) Intangible assets

A. Trademarks and licenses

Separately acquired trademarks and licenses are stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 15 years.

B. Computer software

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

C. Goodwill

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

(18) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

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

(19) Borrowings

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

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

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

(22) Income tax

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

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

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

balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from tax laws to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares and paid-in capital in excess on the effective date of new shares issuance.

(25) Revenue recognition

Sales of goods

- A. The Group manufacturing and selling of Mask and Circuit, also medical wares. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in

accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as president of company that makes strategic decisions.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31 2018, the carrying amount of inventories was \$408,575.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and petty cash	\$ 3,182	\$ 1,609
Checking accounts and demand deposits	535,426	527,899
Time deposits	<u>24,800</u>	<u>107,447</u>
Total	<u>\$ 563,408</u>	<u>\$ 636,955</u>

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

B. The Group has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2018</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	\$ 613,771
Unlisted and non-OTC stocks	63,926
Privately Offered Fund	<u>110,247</u>
	787,944
Valuation adjustment	(56,118)
Total	<u>\$ 731,826</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss is listed below:

	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Listed and OTC stocks	(\$ 20,269)
Unlisted and non-OTC stocks	10,836
Beneficiary certificates	<u>89</u>
Total	<u>(\$ 9,344)</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2018</u>
Current item:	
Time deposits	<u>\$ 54,335</u>
Non-current items:	
Time deposits	<u>\$ 29,727</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost is listed below:

	<u>2018</u>
Interest income	<u>\$ 797</u>

B. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

D. Information on investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	<u>\$ 1,277</u>	<u>\$ 2,633</u>
Accounts receivable	<u>\$ 599,932</u>	<u>\$ 493,027</u>
Accounts receivable – related parties	<u>4,178</u>	<u>1,089</u>
	604,110	494,116
Less: Allowance for sales returns and discounts	- (	1,912)
Less: Loss allowance	(2,780)	(21,655)
	<u>\$ 601,330</u>	<u>\$ 470,549</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 483,098	\$ 1,277	\$ 306,782	\$ 2,633
Less than 30 days	76,987	-	101,559	-
Between 31 and 90 days	32,436	-	54,278	-
Between 91 and 180 days	2,288	-	9,716	-
More than 181 days	9,301	-	21,781	-
	<u>\$ 604,110</u>	<u>\$ 1,277</u>	<u>\$ 494,116</u>	<u>\$ 2,633</u>

The above ageing analysis was based on past due date.

B. The Group has no notes and accounts receivable pledged to others as collateral.

C. As at December 31, 2018 without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$601,330 respectively.

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

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 140,121	(\$ 33,540)	\$ 106,581
Work in process	151,213	(39,685)	111,529
Finished goods	216,131	(85,464)	130,667
Merchandise inventories	62,082	(2,283)	59,798
Total	<u>\$ 569,547</u>	<u>(\$ 160,972)</u>	<u>\$ 408,575</u>

December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 135,838	(\$ 45,946)	\$ 89,892
Work in process	126,523	(40,354)	86,169
Finished goods	194,978	(62,105)	132,873
Merchandise	35,219	(156)	35,063
inventories			
Total	<u>\$ 492,558</u>	<u>(\$ 148,561)</u>	<u>\$ 343,997</u>

The cost of inventories recognized as expense for the year:

	2018	2017
Cost of sold inventory	\$ 2, 248, 479	\$ 1, 161, 119
Allowance(reversal) for valuation and obsolescence loss	10, 296	22, 775
Revenue from sale of scraps	(882)	(824)
Others	(919)	330
	<u>\$ 2, 256, 974</u>	<u>\$ 11, 834</u>

(6) Investments accounted for using equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Associates:		
Advagene Biopharma Co., Ltd.	<u>\$ 126, 760</u>	<u>\$ 96, 197</u>

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

	2018	2017
Income (Loss) from Continuing Operation	(\$ 111, 323)	(\$ 138, 127)
Other comprehensive income (net after tax)	—	—
Total comprehensive income (loss) for the period	<u>(\$ 111, 323)</u>	<u>(\$ 138, 127)</u>

(7) Property, plant and equipment

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Leasing assets	Construction in progress and equipment under installation	Total
January 1, 2018										
Cost	\$ 1,490,342	\$ 2,201,484	\$ 18,474	\$ 4,848	\$ 112,728	\$ 16,837	\$ 12,137	\$ 5,903	\$ 10,666	\$ 3,873,419
Accumulated depreciation and impairment	(965,516)	(1,812,298)	(10,905)	(3,199)	(68,800)	(12,479)	(11,002)	-	-	(2,884,199)
	<u>\$ 524,826</u>	<u>\$ 389,186</u>	<u>\$ 7,569</u>	<u>\$ 1,649</u>	<u>\$ 43,928</u>	<u>\$ 4,358</u>	<u>\$ 1,135</u>	<u>\$ 5,903</u>	<u>\$ 10,666</u>	<u>\$ 989,220</u>
2018										
January 1	\$ 524,826	\$ 389,186	\$ 7,569	\$ 1,649	\$ 43,928	\$ 4,358	\$ 1,135	\$ 5,903	\$ 10,666	\$ 989,220
Combined transfer number	-	-	777	-	-	-	3,597	-	-	4,374
Combined transfer number-										
Accumulated depreciation	-	-	(1,184)	-	-	-	(19,696)	-	-	(20,880)
Acquisitions	53,552	103,219	10,113	-	2,327	2,569	4,705	3,634	4,679	184,798
Disposals-Cost	-	(87,351)	(2,208)	(537)	(86,894)	-	(15,557)	-	-	(192,547)
Disposals-Accumulated depreciation	-	58,218	1,481	537	53,891	-	15,478	-	-	129,605
Depreciation	(38,258)	(86,637)	(4,002)	(384)	(8,606)	(2,526)	(2,806)	(3,204)	-	(146,423)
Transfer to expense-Cost	-	-	-	-	-	(14,319)	-	-	-	(14,319)
Transfer to expense-										
Accumulated depreciation	-	-	-	-	-	11,857	-	-	-	11,857
Net exchange differences-										
Cost	14	2	84	(19)	-	-	-	-	-	81
Net exchange differences-										
Accumulated depreciation	(14)	(2)	(84)	17	-	-	-	-	-	(83)
December 31	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>
December 31, 2018										
Cost	\$ 1,543,908	\$ 2,217,354	\$ 28,424	\$ 4,292	\$ 28,161	\$ 5,087	\$ 24,578	\$ 9,537	\$ 15,345	\$ 3,876,686
Accumulated depreciation and impairment	(1,003,788)	(1,840,719)	(14,694)	(3,029)	(23,515)	(3,148)	(18,026)	(3,204)	-	(2,910,123)
	<u>\$ 540,120</u>	<u>\$ 376,635</u>	<u>\$ 13,730</u>	<u>\$ 1,263</u>	<u>\$ 4,646</u>	<u>\$ 1,939</u>	<u>\$ 6,552</u>	<u>\$ 6,333</u>	<u>\$ 15,345</u>	<u>\$ 966,563</u>

	Buildings (Land)	Machinery and equipment	Office Equipment	Transportation	Leasehold Improvements	Molding Equipment	Other Equipment	Construction in progress and equipment under installation	Total
January 1, 2017									
Cost	\$ 1,436,236	\$ 2,055,412	\$ 10,575	\$ 3,357	\$ 111,512	\$ 14,267	\$ 12,137	\$ 8,604	\$ 3,652,100
Accumulated depreciation and impairment	(922,276)	(1,705,706)	(5,138)	(1,274)	(59,722)	(7,598)	(10,402)	-	(2,712,116)
	<u>\$ 513,960</u>	<u>\$ 349,706</u>	<u>\$ 5,437</u>	<u>\$ 2,083</u>	<u>\$ 51,790</u>	<u>\$ 6,669</u>	<u>\$ 1,735</u>	<u>\$ 8,604</u>	<u>\$ 939,984</u>
2017									
January 1	\$ 513,960	\$ 349,706	\$ 5,437	\$ 2,083	\$ 51,790	\$ 6,669	\$ 1,735	\$ 8,604	\$ 939,984
Combined transfer number	40,215	8	527	48	-	-	-	-	40,798
Acquisitions	8,043	136,354	4,060	5,903	1,217	2,571	-	10,666	168,814
Disposals	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-
Combined individual influences	-	-	-	-	-	-	-	-	-
Depreciation	(41,778)	(101,100)	(2,452)	(482)	(9,079)	(4,882)	(600)	-	(160,373)
Reclassification	4,386	4,218	-	-	-	-	-	(8,604)	-
Net exchange differences	-	-	(3)	-	-	-	-	-	(3)
December 31	<u>\$ 524,826</u>	<u>\$ 389,186</u>	<u>\$ 7,569</u>	<u>\$ 7,552</u>	<u>\$ 43,928</u>	<u>\$ 4,358</u>	<u>\$ 1,135</u>	<u>\$ 10,666</u>	<u>\$ 989,220</u>
December 31, 2017									
Cost	\$ 1,490,342	\$ 2,201,484	\$ 18,474	\$ 10,751	\$ 112,728	\$ 16,837	\$ 12,137	\$ 10,666	\$ 3,873,419
Accumulated depreciation and impairment	(965,516)	(1,812,298)	(10,905)	(3,199)	(68,800)	(12,479)	(11,002)	-	(2,884,199)
	<u>\$ 524,826</u>	<u>\$ 389,186</u>	<u>\$ 7,569</u>	<u>\$ 7,552</u>	<u>\$ 43,928</u>	<u>\$ 4,358</u>	<u>\$ 1,135</u>	<u>\$ 10,666</u>	<u>\$ 989,220</u>

A. The significant components of buildings include main land, building and factory, which is/are depreciated over 3 and 56 years, respectively.

B. Amount of borrowing costs in 2018 and 2019 capitalized as part of property, plant and equipment were \$0.

C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings	\$ 591,000.0	1.138%~1.35%	-
Credit borrowings			
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	\$ 81,253	2.886%~3.087%	-

Interest expense recognized in profit or loss amounted to \$4,274 and \$1,520 for the years ended December 31, 2018 and 2017, respectively.

(9) Long-term borrowings

The years ended December 31, 2018: None.

For the long-term loan contract of the Group from November 11, 2012 to January 11, 2032, the Group had settled the loan in advance in July 2018 due to financial planning considerations.

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Bank borrowings secured	2012.11.11~2032.01.11 payable at maturity date, commencing 20 years after the initial date of borrowing	1.62%	Land and buildings	\$ 26,303
Less: Current portion of long-term borrowings				(1,676)
				<u>\$ 24,627</u>

(10) Finance lease liabilities

The Group leases in transportation and machine equipment under finance lease. Future minimum lease payments and their present values as at December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	Total finance lease liability	Future financial expenses	Present value of finance lease liabilities
<u>Current items:</u>			
Not more than 1 year	\$ 8,987	(\$ 749)	\$ 8,238
<u>Non-current items:</u>			
More than 1 year but not more than 5 years	10,132	(251)	9,881
Not more than 5 years	-	-	-
	10,132	(251)	9,881
Total	\$ 19,119	(\$ 1,000)	\$ 18,119

The years ended December 31, 2017: None.

(11) Pensions

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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	(\$ 41,564)	(\$ 47,832)
Fair value of plan assets	29,020	27,605
Net defined benefit liability	(\$ 12,544)	(\$ 20,227)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	(\$ 47,832)	\$ 27,605	(\$ 20,227)
Current service cost	(264)	-	(264)
Interest (expense) income	(555)	347	(208)
	(48,651)	27,952	(20,699)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	774	774
Change in financial assumptions	(942)	-	(942)
Change in demographic assumptions	(120)	-	(120)
Experience adjustments	940	-	940
	(122)	774	652
Pension fund contribution	-	617	617
Paid pension	7,209	(323)	6,886
Balance at December 31	(\$ 41,564)	\$ 29,020	(\$ 12,544)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	(\$ 57,300)	\$ 25,972	(\$ 31,328)
Merger transfer	(3,748)	1,317	(2,431)
Current service cost	(552)	-	(552)
Interest (expense) income	(737)	374	(363)
	(62,337)	27,663	(34,674)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(119)	(119)
Change in financial assumptions	(815)	-	(815)
Change in demographic assumptions	(89)	-	(89)
Experience adjustments	983	-	983
	79	(119)	(40)
Pension fund contribution	-	487	487
Paid pension	14,426	(426)	14,000
Balance at December 31	(\$ 47,832)	\$ 27,605	(\$ 20,227)

- (D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization

products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Discount rate	<u>1.00%~1.125%</u>	<u>1.25%</u>
Future salary increases	<u>2.00%~2.5%</u>	<u>2.00%~2.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ <u>1,334</u>)	<u>\$ 1,392</u>	<u>\$ 1,353</u>	(\$ <u>1,304</u>)
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ <u>1,467</u>)	<u>\$ 1,521</u>	<u>\$ 1,487</u>	(\$ <u>1,482</u>)

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

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$635.

(G) As of December 31, 2018, the weighted average duration of the retirement plan is 12-16 years.

B.(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C.

Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (B) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were \$12,984 and \$9,747, respectively.

(12) Share capital

- A. As of December 31, 2018, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options issued by the Company), and the paid-in capital was \$2,527,136 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Unit: share in thousands	
	2018	2017
January	195,632	232,265
Subordinate companies increase holdings of stock	- (	16,633)
Purchase of treasury shares	- (	20,000)
December 31	<u>195,632</u>	<u>195,632</u>

B. Treasury shares

- (A) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2018	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary- Youe Chung Capital Corporation Taiwan Mask Corporation	Subsidiary holds shares of the company To be reissued to employees	37,081 20,000	\$ 527,678 357,063
	Total	<u>57,081</u>	<u>\$ 884,741</u>

		December 31, 2017	
		(Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Subsidiary- Suichang Investment Co., Ltd.	Subsidiary holds shares of the company	37,081	\$ 527,678
Taiwan Mask Corporation	To be reissued to employees	20,000	357,063
	Total	57,081	\$ 884,741

- (B) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.
- (C) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (D) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (E) The Group organized and reorganized in May 2018, and merged Suichang Investment Co., Ltd. and Youe Win Capital Corporation into Youe Chung Capital Corporation (hereinafter referred to as "Suichang Company", "Youe Win Company" and "Youe Chung Company"). Suichang Company and Youe Win Company were closed and transferred the relevant assets and liabilities to Youe Chung Company. Before the reorganization, Suichang Company held the shares, and after reorganization, Youe Chung Company held the shares of the company. As of December 31, 2017, Suichang Company held 37,081 shares, with an average book value of \$14.23 per share and a fair value of \$18 per share. As of December 31, 2018, Youe Chung Company held 37,081 shares, the average book value per share was \$14.23, and the fair value per share was \$18.35. The transfer of treasury stock costs is based on the book value of the shares held by Suichang Company in each period, based on the indirect shareholding ratio of the Company.
- (F) In July 13, 2017, the board of directors passed to purchase treasury stocks. From July 17, 2017 to September 13, 2017 were bought back 20,000 shares, and purchase amount was \$357,063.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company

has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Detail of capital surplus as below:

	Recognition of changes in			
	Treasury shares	ownership interest in subsidiaries	Employee stock options	Total
January 1, 2018	\$ 145,471	\$ 62,959	\$ 4,518	\$ 212,948
Adjustment of the shareholding ratio of the invested company	-	(7,484)	2,538	(4,946)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(38,571)	-	(38,571)
December 31, 2018	<u>\$ 145,471</u>	<u>\$ 16,904</u>	<u>\$ 7,056</u>	<u>\$ 169,431</u>

	Recognition of changes in			
	Treasury shares	ownership interest in subsidiaries	Employee stock options	Total
January 1, 2017	\$ 139,843	\$ 40,443	\$ -	\$ 180,286
Subordinate company is allocated cash to the company	5,628	-	-	5,628
Adjustment of the shareholding ratio of the invested company	-	22,516	4,518	27,034
December 31, 2017	<u>\$ 145,471</u>	<u>\$ 62,959</u>	<u>\$ 4,518</u>	<u>\$ 212,948</u>

(14) Retained earnings (deficit to be compensated)

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The

Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

- B. To well design a long term financial plan and stabilize the operation, the company chose a residual dividend policy to plan the future capital fund needs based on capital investment budget. First to appropriate the retained earnings to get capital funds fulfilled and residual earnings will be paid off as dividends. The steps are:
 - (A) Define an optimized capital budget.
 - (B) Define the fund needs to fulfill one capital budget.
 - (C) Define how much fund shall be fulfilled by retained earnings. (Unfulfilled part shall be fulfilled by fund raising or bond issuing.)
 - (D) To reserve a certain amount of residual earnings, then dividends shall be paid off to shareholders. According to the dividend policy of the company, cash dividend ratio shall not be lower than 20% of total dividends.
- C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. As resolved by the shareholders on June 13, 2018 and June 23, 2017, the deficit in 2017 and 2016 shall be compensated by legal reserve for \$74,217 and \$162,088.
- F. On March 20, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 were \$194,083 at \$0.834 (in dollars) per share.
- G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(21).

(15) Other equity items

	2018		
	Unrealized evaluation of profit and loss	Foreign currency translation	Total
January 1	\$ 3,756	\$ 7,451	\$ 11,207
Effect on retrospective application	(3,756)	-	(3,756)
Foreign currency conversion difference: -Group	-	402	402
December 31	<u>\$ -</u>	<u>\$ 7,853</u>	<u>\$ 7,853</u>
	2017		
	Unrealized evaluation of profit and loss	Foreign currency translation	Total
January 1	(\$ 41,301)	\$ 5,719	(\$ 35,582)
Revaluation	45,057	-	45,057
Foreign currency conversion difference: -Group	-	1,732	1,732
December 31	<u>\$ 3,756</u>	<u>\$ 7,451</u>	<u>\$ 11,207</u>

(16) Operating revenue

	2018
Revenue from contracts with customers	<u>\$ 2,885,982</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2018	Semiconductor	Medical division	Total
Revenue from dept.	\$ 2,943,827	\$ 161,782	\$ 3,105,609
Revenue from internal dept. contracts	(218,921)	(706)	(219,627)
Revenue from external customer contracts	<u>\$ 2,724,906</u>	<u>\$ 161,076</u>	<u>\$ 2,995,982</u>
Timing of revenue recognition			
At a point in time	<u>\$ 2,724,906</u>	<u>\$ 161,076</u>	<u>\$ 2,995,982</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	<u>December 31, 2018</u>
Contract liability	\$ <u>58,701</u>

C. Related disclosures for 2017 operating revenue are provided in Note 12(5).

(17) Other income

	<u>2018</u>	<u>2017</u>
Interest income :		
Bank deposits	\$ 2,340	\$ 2,963
Financial assets at amortised cost		
Interest income	797	-
Other interest income	21	-
Total interest income	<u>3,158</u>	<u>2,963</u>
Rent income	271	15
Dividend income	16,264	2,128
Others	10,351	1,343
	<u>\$ 30,044</u>	<u>\$ 6,449</u>

(18) Other gains and losses

	<u>2018</u>	<u>2017</u>
Gains(Losses) on disposals of property, plant and equipment	(\$ 33,489)	\$ 1,748
Gains(Loss) on disposal of investments	(649)	61,585
Currency exchange gains(loss)	12,654 (	21,841)
Gains(Loss) on financial assets at fair value through profit or loss	(12,430)	1,348
Reversal of impairment loss(Impairment loss) recognised in profit or loss, financial	3,735 (	23,970)
Other expenses	(6,236)	(21,963)
	<u>\$ (36,415)</u>	<u>\$ (3,093)</u>

(19) Finance costs

	<u>2018</u>	<u>2017</u>
Interest expense	\$ 4,508	\$ 3,561
Other finance expense	1,065	85
	<u>\$ 5,573</u>	<u>\$ 3,646</u>

(20) Expenses by nature

	2018	2017
Employee benefit expenses	\$ 395,903	\$ 255,075
Depreciation charges on property, plant and equipment	146,423	160,373
Amortisation charges on intangible	3,131	2,187
Total	<u>\$ 545,457</u>	<u>\$ 417,635</u>

(21) Employee benefit expense

	2018	2017
Wages and salaries	\$ 344,067	\$ 210,740
Labour and health insurance fees	23,865	21,999
Pension costs	13,456	10,672
Other personnel expenses	14,515	11,664
	<u>\$ 395,903</u>	<u>\$ 255,075</u>

A. According to the Articles of Incorporation of the Company, the current year's profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 10% as employees' compensation, and no more than 2% as directors' remuneration.

B. For the ended of 2018, employees' compensation was accrued at \$25,884, respectively; directors' and supervisors' remuneration was accrued at 5,108, respectively. The aforementioned amounts were recognized in salary expenses.

In 2017, due to accumulated losses, there were no employee bonus and the compensation of the directors were estimated.

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

(22) Income tax

A. Income tax expense

Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the year	\$ 36,083	\$ 22,535
Previous income tax low (high) estimate	(1,616)	321
Total current tax	<u>34,467</u>	<u>22,856</u>
Deferred tax:		
Origination and reversal of temporary differences	24,344	428
Impact of change in tax rate	(985)	-
Total deferred tax	<u>23,359</u>	<u>428</u>
Income tax expense	<u>\$ 57,826</u>	<u>\$ 23,284</u>

B. Reconciliation between income tax expense and accounting profit

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	(\$ 23,445)	(\$ 12,768)
Effect disallowed by tax regulation	50,359	6,355
Effect from Alternative Minimum Tax	-	6,039
Taxable loss not recognised as deferred tax assets	26,560	32,448
Prior year income tax (over) underestimation	(1,616)	321
Change in assessment of realisation of deferred tax assets	6,953	(9,111)
Effect from changes in tax regulation	(985)	-
Income tax expense	<u>\$ 57,826</u>	<u>\$ 23,284</u>

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

		2018					
		Recognised					
		Business		Recognised	in other	Recognised	
		combination	in profit or	comprehensive	income	in equity	
		January 1	loss				December 31
Deferred tax assets:							
-Temporary differences:							
Loss on inventory	\$	1,879	\$ -	\$ 2,708	\$ -	\$ -	\$ 4,587
Allowance for bad debts		3,010	- (	3,010)	-	-	-
Investment tax credits		4,900	- (	4,900)	-	-	-
Unrealised pensions		4,490	- (	4,490)	-	-	-
Unrealised exchange loss		311	- (	305)	-	-	6
Other		12,427	- (	11,782)	-	-	645
Total	\$	<u>27,017</u>	\$ -	<u>(\$ 21,779)</u>	\$ -	\$ -	<u>\$ 5,238</u>
Deferred tax liabilities:							
-Temporary differences:							
Unrealised exchange gain	(	145)	- (	754)	-	-	(899)
Other	(	15,464)	- (	826)	-	-	(16,290)
	(\$	<u>15,609</u>)	-	<u>(1,580)</u>	-	-	<u>(17,189)</u>
Total	\$	<u>11,408</u>	\$ -	<u>(\$ 23,359)</u>	\$ -	\$ -	<u>(\$ 11,951)</u>

2017						
				Recognised in other		
	January 1	Business combination	Recognised in profit or loss	comprehensive income	Recognised in equity	December 31
Deferred tax assets:						
-Temporary differences:						
Loss on inventory	\$ 3,855	\$ -	(\$ 1,976)	\$ -	\$ -	\$ 1,879
Allowance for bad debts	1,283	-	1,727	-	-	3,010
Allowance for Sales Returns and Discounts	252	-	(252)	-	-	-
Investment tax credits	6,919	-	(2,019)	-	-	4,900
Unrealised pensions	6,765	-	(2,275)	-	-	4,490
Unrealised exchange loss	-	-	311	-	-	311
Other	9,124	-	3,914	-	(611)	12,427
Net operating carryforwards	1,729	-	(1,729)	-	-	-
Total	<u>\$ 29,927</u>	<u>\$ -</u>	<u>(\$ 2,299)</u>	<u>\$ -</u>	<u>(\$ 611)</u>	<u>\$ 27,017</u>
Deferred tax liabilities:						
-Temporary differences:						
Unrealised exchange gain	(1,593)	-	1,448	-	-	(145)
Other	-	(15,887)	423	-	-	(15,464)
	(1,593)	(15,887)	1,871	-	-	(\$ 15,609)
Total	<u>\$ 28,334</u>	<u>(\$ 15,887)</u>	<u>(\$ 428)</u>	<u>\$ -</u>	<u>(\$ 611)</u>	<u>\$ 11,408</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2018				
Year	Amount filed/ assessed	Unused amount	Unrecognized deferred income tax assets	Expiry year
2014	Amount filed	\$ 24,288	\$ 24,288	2024
2015	Amount filed	35,299	35,299	2025
2015	Amount filed	30,501	30,501	2025
2016	Amount filed	8,476	8,476	2026
2016	Amount filed	73,464	73,464	2026
2016	Amount filed	51,003	51,003	2026
2017	Assessed	10,657	10,657	2027
2017	Assessed	161,256	161,256	2027
2017	Assessed	85,413	85,413	2027
2018	Assessed	131,239	131,239	2028
2018	Assessed	34,401	34,401	2028

December 31, 2017				
Year	Amount filed/ assessed	Unused amount	Unrecognized deferred income tax assets	Expiry year
2014	Amount filed	\$ 24,288	24,288	2024
2015	Amount filed	35,299	35,299	2025
2016	Amount filed	8,476	8,476	2026
2016	Amount filed	73,464	73,464	2026
2017	Assessed	10,657	10,657	2027
2017	Assessed	161,256	161,256	2027

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Can deduct temporary differences	\$ <u>483,755</u>	\$ <u>741,996</u>

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

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

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$ 199,203</u>	<u>195,632</u>	<u>\$ 1.02</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 199,203	195,632	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>1,411</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 199,203</u>	<u>197,043</u>	<u>\$ 1.01</u>

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic loss per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>(\$ 74,177)</u>	<u>225,910</u>	<u>(\$ 0.33)</u>

The weighted average number of shares outstanding in 2018, which has been deducted from the number of shares held by the subsidiary company, Yu Chuan Investment (shares) company, which are regarded as treasury shares of the company (the number of shares is calculated according to the shareholding ratio of the company).

The weighted average number of outstanding foreign shares in 2017 has been deducted from the number of shares held by the subsidiary company, Suichang Investment Co., Ltd., which holds shares of the company as treasury shares (the number of shares is calculated based on the shareholding ratio of the company). In addition, due to the loss of the above-mentioned various periods, the employee's compensation has an anti-dilution effect, so the diluted loss per share is equal to the basic loss per share.

(24) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On December 26, 2017, the Group acquired an additional 58.92% of shares of its subsidiary- Suichang Investment Co., Ltd., for a total cash consideration of \$328,580. The carrying amount of non-controlling interest in 372,567 was \$372,567 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$372,567 and decrease in the equity attributable to owners of the parent by \$43,987. The effect of changes in interests in 43,987 on the equity attributable to owners of the parent for the years ended December 31, 2017 is shown below:

	<u>Year ended December 31, 2017</u>
Carrying amount of non-controlling interest acquired	\$ 372,567
Consideration paid to non-controlling interest	(328,580)
Capital surplus- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	<u>\$ 43,987</u>

(25) Business combinations

A. In August, 2018, the Group acquired 65.35% equity of Wei Da Hi-Tech Co., Ltd. in cash of \$ 191,710 and obtained control of the company. The main business items of the company are research, design and development of display panel control chips and their modules, manufacturing and sales. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition

(A) The following table summarizes the consideration paid for Wei Da Hi-Tech Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Merger date</u>
Purchase consideration	
Purchase consideration-Cash	\$ 191,710
Non-controlling interests account for the identifiable net assets share of the acquiree	<u>66,179</u>
	<u>257,889</u>
Obtaining the fair value of identifiable assets and liabilities	
Cash	107,824
Trade receivables	32,147
Other receivables	1,704
Inventories	50,274
Other Current Assets	5,620
Property, plant and equipment	4,357
Intangible assets	20,701
Other Non-Current Assets	938
Accounts payable	(19,705)
Other accounts payable	(10,995)
Other current liabilities	(1,788)
Other non-current liabilities	(100)
Identifiable net assets	<u>190,977</u>
Goodwill	<u>\$ 66,912</u>

- (B) The fair value of the acquired identifiable intangible assets is provisional pending receipt of the final valuations for those assets.
- (C) The operating revenue included in the consolidated statement of comprehensive income since August, 2018 contributed by Weida Hi-Tech Company was \$43,582. Weida Hi-Tech Company also contributed loss before income tax of \$24,536 over the same period. Had Weida Hi-Tech Company been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of \$3,047,757 and profit before income tax of \$187,218.
- B. In October 2017, the Group acquired 100% equity of Miracle Technology Co., Ltd. in cash at \$252,651 and obtained control over Miracle Technology Co., Ltd., which is mainly engaged in the manufacture of electronic components, electronic materials and precision instruments, designed with power components. The Group expects to combine semiconductor industry resources and expand its business scale after the acquisition.
- (A) The following table summarizes the consideration paid for Miracle Company and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest at the acquisition date:

	<u>Merger date</u>
Purchase consideration-Cash	\$ 252,651
Non-controlling interests	250
	<u>252,901</u>
Obtaining the fair value of identifiable assets and liabilities	
Cash	214,854
Notes and trade receivables	201,803
Other receivables	1,648
Inventories	42,228
Other Current Assets	1,985
Financial Assets Carried at Cost	3,115
Property, plant and equipment	48,323
Intangible assets	3,344
Other Non-Current Assets	313
Short-term borrowings	(56,160)
Accounts payable	(118,226)
Current income tax liabilities	(2,029)
Deferred income tax liabilities	(15,887)
Other current liabilities	(68,068)
Long-term borrowings	(27,448)
Accrued Pension	(2,431)
Identifiable net assets	<u>227,364</u>
Goodwill	<u>\$ 25,537</u>

(B) The fair value of the acquired identifiable intangible assets is \$3,344.

(C) The operating revenue included in the consolidated statement of comprehensive income since October, 2017 contributed by Miracle Company was \$253,304. Miracle Company also contributed profit before income tax of \$1,026 over the same period. Had Miracle Company been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of \$2,129,917 and profit before income tax of \$3,765.

(26) Operating leases

The Group leases in land and building assets under non-cancellable operating lease agreements. The lease terms to 2034. The Group recognized rental expenses of \$33,823 and \$35,877 in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>		
Not later than one year	\$ 15,891	\$ 28,443		
Later than one year but not later than five years	54,954	58,037		
Later than five years	<u>60,083</u>	<u>67,244</u>		
	<u>\$ 130,928</u>	<u>\$ 153,724</u>		
(27) <u>Supplemental cash flow information</u>				
Investing activities with partial cash payments:				
	<u>2018</u>	<u>2017</u>		
Purchase of property, plant and equipment	\$ 184,798	\$ 168,814		
Add: Opening balance of payable on equipment	11,606	5,869		
Ending balance of advanced on equipment	133,635	48,644		
Less: Opening balance of advanced on equipment	(48,644)	(81,905)		
Ending balance of payable on equipment	(75,777)	(11,606)		
Cash paid during the year	<u>\$ 205,618</u>	<u>\$ 129,816</u>		
(28) <u>Changes in liabilities from financing activities</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Deposits received</u>	<u>Total liabilities from financing activities</u>
January 1,2018	\$ 81,253	\$ 26,303	\$ 94	\$ 107,650
Changes in cash flow from financing	509,747	(26,303)	3,029	486,473
Changes in acquisition of subsidiaries	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
December 31, 2018	\$ 591,000	\$ -	\$ 3,223	\$ 594,223

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Innova Vision Shenzhen	Subsidiary(note1)
Weida Hi-Tech	The general manager of the company is the chairman of the company(note2)
WishRich Technology Co., Ltd.	The director of the subsidiary of the company is the chairman of the company
Maxchip Electronics Corporation	The director of the company is the chairman of the company
Hsin Chiao Technology Corporation	The director of the subsidiary of the company is the chairman of the company
Advanced Silicon SA	The chairman of the subsidiary of the company is the director of the company
Macroblock, Inc.	The company's subsidiaries are directors of the company
Other Related Parties	General manager of the company

Note1: merged into the Group in January, 2018.

Note2: merged into the Group in September, 2018.

(2) Significant related party transactions

A. Operating revenue:

	<u>2018</u>	<u>2017</u>
Sales of goods:		
Other Related Parties	\$ <u>39,800</u>	\$ <u>78</u>

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	<u>2018</u>	<u>2017</u>
Purchases of goods:		
Other Related Parties	\$ <u>63,928</u>	\$ <u>-</u>

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

C. Receivables from related parties:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade receivables:		
Other Related Parties	\$ 4,178	\$ -
Other receivables:		
Other Related Parties	<u>4,636</u>	<u>7,590</u>
Total	<u>\$ 8,814</u>	<u>\$ 7,590</u>

D. Payables to related parties:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable:		
Other Related Parties	\$ -	\$ -
Other accounts payable:		
Other Related Parties	<u>1,003</u>	<u>-</u>
Total	<u>\$ 1,003</u>	<u>\$ -</u>

E. Property transactions:

(A) Acquisition of office equipment:

	<u>2018</u>	<u>2017</u>
Other Related Parties	<u>\$ 1,790</u>	<u>\$ -</u>

(B) Acquisition of financial assets:

				<u>Year ended December 31, 2018</u>
	<u>Accounts</u>	<u>No. of</u>	<u>Objects</u>	<u>Consideration</u>
Other Related Parties	Investment which is adopting equity method	141,103	Shares of Weida Hi-Tech	<u>\$ 1,646</u>

2017: None.

F. Loans to /from related parties:

Outstanding balance: (“other account receivable”) :

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ -	\$ 15,193
Less: Allowance for Bad Debts	<u>-</u>	<u>(7,603)</u>
	<u>\$ -</u>	<u>\$ 7,590</u>

(3) Key management compensation

	<u>2018</u>	<u>2017</u>
Salaries and short-term employee benefits	\$ 20,715	\$ 9,978
Post-employment benefits	<u>20,886</u>	<u>-</u>
Total	<u>\$ 41,601</u>	<u>\$ 9,978</u>

8. PLEDGED ASSETS

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

Asset item	Book value		Purpose
	December 31, 2018	December 31, 2017	
Time deposits(Financial assets at amortised cost-Non current)	\$ 29,727	\$ -	Outbound cargo guarantee and lease deposit
Time deposits(Other non-current assets)	-	45,723	Outbound cargo guarantee and lease deposit
Land and buildings		302,324	Long-term borrowings
Machinery and equipment	-	30,240	Long-term borrowings
	<u>\$ 29,727</u>	<u>\$ 378,287</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Subidiary - Innova Vision International Inc. (IVKK) imported contact lenses in March 2015 contained anti-UV material, which did not match up with the materials disclosed in the certification issued by Japanese government. Japanese government issued an oral order to ask IVKK make announcements on the newspapers about the material unmatched and stopped the selling activities in Japan. IVKK then discussed with its major agents to return the goods and negotiated a "return and change of the goods plan". Some of the agents have already returned the goods one after plan.

The Group had recognized losses against returned contact lenses and all the compensation. Till 2018/12/31, the ending balance of the compensation payable is \$20,323 and booked as "other current liabilities".

(2) Commitments

A. Signed but not yet paid equipment maintenance contracts

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Machine maintenance	<u>\$ 33,765</u>	<u>\$ 43,303</u>

B. Operating leases contracts

Please see Note 6(26).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD

The company's subsidiary, Yu Chuan Investment Co., Ltd. (hereinafter referred to as "Yu Chuan Investment") is a long-term investment. On March 18, 2019, the board of directors of the Yu Chuan Investment decided to participate in the subscription of the private equity of Aptos Technology Co., Ltd. The shares of NT\$4 obtained Group Aptos Technology Co., Ltd. obtained 16,250 shares with a total amount of \$65,000.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within reasonable security range. The gearing ratios at December 31, 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total borrowings	\$ 591,000	\$ 107,556
Less: Cash and cash equivalents	(563,408)	(636,955)
Net debt	27,592	(529,399)
Total equity	2,573,811	2,479,140
Total capital	<u>\$ 2,601,403</u>	<u>\$ 1,949,741</u>
Gearing ratio	<u>1.06%</u>	<u>-</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 731,826	\$ -
Financial assets designated as at fair value through profit or loss on initial recognition	-	22,891
Financial assets at fair value through other comprehensive income		
Available-for-sale financial assets	-	230,986
Financial assets at amortised cost/ Loans and receivables		
Cash and cash equivalents	563,408	636,955
Financial assets at amortised cost	84,062	-
Investments in debt instruments without active market	-	21,699
Notes receivable	1,277	2,633
Accounts receivable	601,330	470,549
Other receivables	18,243	24,946
Guarantee deposits paid	12,867	10,830
Other financial assets	-	45,723
	<u>\$ 2,013,013</u>	<u>\$ 1,467,212</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 591,000	\$ 81,253
Notes payable	54	234
Accounts payable	236,387	157,789
Other accounts payable	288,678	173,071
Lease account payable	18,119	-
Long-term borrowings (including current portion)	-	26,303
Guarantee deposits received	3,223	94
	<u>\$ 1,137,461</u>	<u>\$ 438,744</u>

B. Financial risk management policies

- (A) The daily operations of the Group are subject to a number of financial risks, including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on unpredictable events in the financial markets and seeks to mitigate potential adverse effects on the Group's financial position and financial performance.
- (B) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(A) Market risks

i. Foreign exchange risk

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

December 31, 2018				
(Foreign currency: functional currency)	Foreign currency amount		Book value	
	(In thousands)	Exchange rate	(NTD)	
Financial assets				
<u>Monetary items</u>				
USD:NTD	USD 6,179	30.715	\$	189,786
RMB:NTD	CNY 45,477	4.472		203,372
Financial liabilities				
<u>Monetary items</u>				
USD:NTD	USD 2,576	30.715		79,124
JPY:NTD	JPY 113,393	0.2782		31,546

	December 31, 2017			
(Foreign currency: functional currency)	Foreign currency amount		Book value	
	(In thousands)	Exchange rate	(NTD)	
Financial assets				
<u>Monetary items</u>				
USD:NTD	USD	6,889	29.76	\$ 205,021
JPY:NTD	JPY	19,367	0.2642	5,188
Financial liabilities				
<u>Monetary items</u>				
USD:NTD	USD	641	29.76	19,073
JPY:NTD	JPY	110,578	0.2642	29,251

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to \$12,654 and (\$21,841).
- iii. Analysis of foreign currency risk arising from significant foreign exchange variation:

	Year ended December 31, 2018			
	Sensitivity Analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,898	\$	-
RMB:NTD	1%	2,034		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 791)		-
JPY:NTD	1%	(315)		-

Year ended December 31, 2017				
Sensitivity Analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 2,050	\$	-
JPY:NTD	1%	52		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 191		-
JPY:NTD	1%	293		-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets.
- ii. The Group mainly invests in equity instruments comprised of shares and open-end funds. The value of equity instruments are susceptible to market price risk arising from uncertainties about future performance of equity markets. Assuming a hypothetical increase of 1% in the price of the aforementioned financial assets at fair value through profit or loss while the other conditions remain unchanged could increase the Group's non-operating revenue for the year ended December 31, 2018 and 2017 by \$7,318 and \$229, respectively. A change of 1% in the price of the aforementioned available-for-sale financial instruments could increase the Group's other comprehensive income for the year ended December 31, 2018 and 2017 by \$0 and \$2,310, respectively.

Cash flow and fair value Interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and US Dollars.
- ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually reprised and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing short term interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by \$5,910 and \$813, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(B) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and fair value through profit or loss.
- ii. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors, and the utilization of credit limits is regularly monitored.
- iii. The Group refers to the forecast ability of global economic indicators to adjust the loss rate which is based on historical and current information when assessing the future default possibility of contract assets, accounts receivable and other receivables. The provision matrix as of December 31, 2018 is as follows:

	Expected loss		
	rate	Total book value	Loss allowance
December 31, 2018			
Not past due	0%	\$ 262,325	\$ -
Up to 30 days past due	0%	70,170	-
31~90 days past due	5%	11,816	590
91~180 days past due	35%	498	174
181~360 days past due	50%	22	11
More than 360 days	100%	-	-
Individual provision	0.77%	259,259	2,005
Total		<u>\$ 604,090</u>	<u>\$ 2,780</u>

- iv. Movement in relation to the group applying the simplified approach to provide loss allowance for notes and trade receivable is as follows:

	2018	
	Accounts receivable	Contract assets
At January 1_IAS 39	\$ 21,655	\$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	21,655	-
Reversal of impairment loss	(2,753)	-
Reclassified to other income in this period	(12,628)	-
Amount that was written off due to uncollectible	(2,072)	-
Reclassified	(1,422)	-
December 31	<u>\$ 2,780</u>	<u>\$ -</u>

(C) Liquidity risks

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The surplus cash generated by each operating entities of the Group will be gathered back to the Group treasury. The Group treasury then invests surplus cash in demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and debt investments in no active market (time deposits with 3-12 months period), choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At the year ended December 31, 2018 and 2017, the Group held financial assets at monetary market of \$614,561 and \$679,936, respectively. Those are expected to readily generate cash inflows for managing liquidity risk.
- iii. Non-derivative financial liabilities:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fixed rate:		
Expiring within one year	<u>\$ 249,000</u>	<u>\$ -</u>

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

Non-derivative financial liabilities:

	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
December 31, 2018			
Short-term borrowings	\$ 591,000	\$ -	\$ 591,000
Notes payable	54	-	54
Accounts payable	236,387	-	236,387
Other payables	288,678	-	288,678
Other current liabilities	20,323	-	20,323
Lease account payable	8,987	10,132	19,119
	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
December 31, 2017			
Short-term borrowings	\$ 81,253	\$ -	\$ 81,253
Notes payable	234	-	234
Accounts payable	157,789	-	157,789
Other payables	173,071	-	173,071
Other current liabilities	43,527	-	43,528
Long-term borrowings	1,676	24,627	26,303

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability, including financial assets available for sale in the Group.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes and trade receivables, other receivables, short-term borrowings, notes and trade payables, and other payables are reasonably approximate to the fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 598,163	\$ -	\$ 133,663	\$ 731,826
December 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 22,891	\$ -	\$ -	\$ 22,891
Available-for-sale financial assets				
Equity securities	87,484	-	143,502	230,986
Total	\$ 110,375	\$ -	\$ 143,502	\$ 253,877

D. The methods and assumptions the Group used to measure fair value are as follows:

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

	<u>Listed and OTC stocks</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

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

- (C) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.
- (D) The Group adjusted credit risks assessment into fair value calculation of financial and non-financial instruments to reflect the credit risk of counterparty and quality of the Group.
- E. There was no transfer into or out between Level 1 and Level 2 for the year ended December 31, 2018 and 2017.
- F. The following chart is the movement of Level 3 for the year ended December 31, 2018 and 2017:

	<u>Equity securities</u>
January 1, 2018	\$ 143,502
Acquired in the period	28,075
The invested company reduces the capital	(16,026)
Reversal of impairment	3,735
Recognized in profit (loss)	(25,623)
December 31, 2018	<u>\$ 133,663</u>

使用滑鼠雙擊這裡以編輯新增的表格段。

	<u>Equity securities</u>
January 1, 2017	\$ 142,767
Acquired in the period	20,311
The investment capital is refunded in this period	(14,080)
Gains and losses recognised in other comprehensive income	16,817
Transfers out from level 3	(5,320)
Recognized in profit (loss)	(16,993)
December 31, 2017	<u>\$ 143,502</u>

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

December 31, 2018

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 48,915	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Venture capital shares	84,748	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Private equity fund					

December 31, 2017

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Nonderivative equity instrument:					
Unlisted shares	\$ 76, 567	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Venture capital shares	66, 935	Net asset value	Net asset value	-	The higher the net asset value, the higher the fair value
Private equity fund					

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome. For financial assets and liabilities classified as Level 3, if the factors of assessment changed, then the impact to income or other comprehensive income is:

<u>December 31, 2018</u>						
			<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>	<u>Favourable</u>	<u>Unfavourable</u>
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets						
Equity instrument	Net asset value	± 1%	\$ 1,337	\$ (1,337)	\$ -	\$ -
<u>December 31, 2017</u>						
			<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
			<u>Favourable</u>	<u>Unfavourable</u>	<u>Favourable</u>	<u>Unfavourable</u>
	<u>Input</u>	<u>Change</u>	<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
Financial assets						
Equity instrument	Net asset value	± 1%	\$ -	\$ -	\$ 1,435	\$ (1,435)

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

A. Summary of significant accounting policies adopted in 2017

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

- i. Financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- ii. 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.
- iii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently premeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(B) Available for sale financial assets

- i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- iii. They are initially recognized at fair value plus transaction costs. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(C) Loans and receivables

i. Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

Investments in debt instrument without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(D) Impairment of financial assets

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

objective evidence of impairment loss is as follows:

- (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Available-for-sale financial assets

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

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

	Available-for-sale-equity		Held-tomaturity				Effects	
	Measured at fair value		Measured at fair value					
	Measured at fair value through profit or loss	through other comprehensive income-equity	Measured at amortised cost	Debt instrument without active market	Other non-current assets	Total	Retained earnings	Others equity
IAS39	\$ 22,891	\$ 230,986	\$ -	\$ 21,699	\$ 105,196	\$ 380,772	\$ 539,080	\$ 11,207
Transferred into and measured at fair value through profit or loss	230,986	(230,986)	-	-	-	-	3,756	(3,756)
Transferred into and measured at amortised cost	-	-	67,422	(21,699)	(45,723)	-	-	-
IFRS9	<u>\$ 253,877</u>	<u>\$ -</u>	<u>\$ 67,422</u>	<u>\$ -</u>	<u>\$ 59,473</u>	<u>\$ 380,772</u>	<u>\$ 542,836</u>	<u>\$ 7,451</u>

Under IAS 39, because the cash flows of debt instruments, which were classified as: available for-sale financial assets and debt instruments without active market, amounting to \$230,986, \$21,699 and \$45,723, respectively, do not meet the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at fair value through profit or loss" amounting to \$230,986 and "financial assets at amortized cost" amounting to \$67,422. Increased retained earnings and reduced other equity interest in the amounts of \$3,756 and \$3,756 on initial application of IFRS 9.

C. The significant accounts as for the year ended December 31, 2017, are as follows:

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

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Beneficiary certificates	\$ 22,682
Valuation adjustment of financial assets held for trading	209
Total	<u>\$ 22,891</u>

- The Group recognised net profit amounting to \$1,348 on financial assets held for trading for the year ended December 31, 2017.
- No financial assets at fair value through profit or loss held by the Group were pledged to others.

(B) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed and OTC stocks	\$ 90,871
Unlisted and non-OTC stocks	98,633
Private fund	<u>94,243</u>
Total	283,747
Valuation adjustment of financial assets held for trading	3,756
Accumulated Impairment - Available-for-Sale Financial Assets	(<u>56,517</u>)
Total	<u>\$ 230,986</u>

- i. The Group recognized \$45,057 in other comprehensive income for fair value change for the year ended December 31, 2017.
- ii. The Group recognized accumulated impairment loss of \$56,517 on bond investments—as of December 31, 2107.
- iii. As of December 31, 2017, no available-for-sale financial assets held by the Group were pledged to others.

(C) Investments in debt instruments without active markets

Items	December 31, 2017
Current items:	
Time deposits	<u>\$ 21,699</u>

- i. The Group investments bank debentures from three months to twelve months.
- ii. As of December 31, 2017, no investments in debt instruments without active markets held by the Group were pledged to others.

D. Credit risk information for the year ended December 31, 2017:

- (A) Credit risk refers to the risk of financial loss to the Group arising from default by the client or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

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

- (C) The credit quality information of financial assets that are neither past

due nor impaired is as follows :

	<u>December 31, 2017</u>
Group 1	\$ 242,670
Group 2	<u>62,200</u>
	<u>\$ 304,870</u>

Group 1 : Domestic customers.

Group 2 : Foreign customers.

(D) The ageing analysis of financial assets that were past due but not impaired is as follows:

	<u>December 31, 2017</u>
Up to 30 days	\$ 101,559
31 to 90 days	54,278
91 to 180 days	9,716
Over 180 days	<u>126</u>
	<u>\$ 165,679</u>

(E) Movements in the provision for impairment of accounts receivable for the year ended December 31, 2017:

	<u>2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 3,052	\$ -	\$ 3,052
Provision for impairment	17,514	653	18,167
Reclassified	<u>-</u>	<u>436</u>	<u>436</u>
At December 31	<u>\$ 20,566</u>	<u>\$ 1,089</u>	<u>\$ 21,655</u>

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

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017:

Sales of goods

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

- (B) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.
- B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

	2017
Operating Revenue	\$ 1,427,073

- C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting the above accounting policies for the year ended December 31, 2018 are as follows:

Balance sheet items	Description	December 31, 2018		
		Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities	(1)	58,701	-	58,701
Advance sales receipts	(1)	-	58,701	(58,701)

Note (1): Recognize contract liabilities related to sales contracts in accordance with IFRS 15, expressed as advance receipts under the original accounting policy.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.
- F. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- G. The amount of real estate acquired is NT\$300 million or the paid-up capital is over 20% : None.
- H. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

Please refer to table 6.

14、SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The basis of the Group's corporate composition, divisional basis and departmental information has not changed significantly during the period.

(2) Measurement of segment information

The Group allocates resources according to the adjusted net profit of each department to assess the performance of the operating department.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2018 :

	Mask and Semiconductor division	Medical division	Total
Revenue from external customers	\$ 2,724,906	\$ 161,076	\$ 2,885,982
Inter-segment revenue	\$ 218,921	\$ 706	\$ 219,627
Total segment revenue	\$ 328,134	(\$ 124,488)	\$ 203,646
Segment income (loss) including:			
Depreciation	(\$ 120,921)	(\$ 25,502)	(\$ 146,423)
Amortisation	(\$ 2,990)	(\$ 141)	(\$ 3,131)
Financial cost	(\$ 4,861)	(\$ 712)	(\$ 5,573)
Interest income	\$ 2,963	\$ 195	\$ 3,158
Recognised investment profit or loss which is adopting equity method	(\$ 43,946)	\$ -	(\$ 43,946)
Segment assets	\$ 3,559,561	\$ 304,757	\$ 3,864,318

Year ended December 31, 2017 :

	Mask and Semiconductor division	Medical division	Total
customers	\$ 1,265,854	\$ 161,219	\$ 1,427,073
Inter-segment revenue	\$ 17,423	\$ 5,547	\$ 22,970
Total segment revenue	\$ 62,830	(\$ 128,099)	(\$ 65,269)
Segment income (loss) including:			
Depreciation	\$ 122,608	\$ 37,765	\$ 160,373
Amortisation	\$ 2,010	\$ 177	\$ 2,187
Financial cost	(\$ 3,596)	(\$ 50)	(\$ 3,646)
Interest income	\$ 2,945	\$ 18	\$ 2,963
Recognised investment profit or loss which is adopting equity method	(\$ 57,075)	\$ -	(\$ 57,075)
Segment assets	\$ 2,730,748	\$ 379,401	\$ 3,110,149

(4) Reconciliation for segment income (loss)

Inter-department sales are conducted on a fair-trade basis. External income reported to the chief operating decision is measured in a consistent manner with income in the income statement.

The consolidated profit and loss, assets and liabilities of the relevant departments are consistent with the consolidated profit and loss, consolidated assets and consolidated liabilities, so there is no adjustment information.

(5) Information on products and services

External customer income mainly comes from reticle and semiconductor sales revenue and medical equipment revenue, and related product performance is the same as Note 14 (III)

(6) Geographical information

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

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,662,696	\$ 966,369	\$ 1,017,362	\$ 1,110,074
Others	1,223,286	194	409,711	58
Total	\$ 2,885,982	\$ 966,563	\$ 1,427,073	\$ 1,110,132

(7) Major customer information

For the years ended December 31, 2018 and 2017 there was no single external customer's income accounting for 10% of the total combined income.

TAIWAN MASK CORPORATION AND SUBSIDIARIES
FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018

Table 1 (Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing	Transacti on Amounts	Reason for Financing	Loss Ending Balance	Collateral		Financing Limits for Each Borrowing	Financing Company's Total Financing	Note
0	TAIWAN MASK CORPORATIO N	Miracle Technology CO., LTD.	Other receivable	Y	\$ 200,000	\$ 200,000	\$ 65,780	-	The need for short-term financing	\$ -	-	\$ -	-	\$ -	\$ 1,023,398	\$ 1,023,398	1
0	TAIWAN MASK CORPORATIO N	Youe Chung Capital Corporation	Other receivable	Y	300,000	300,000	138,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
0	TAIWAN MASK CORPORATIO N	Innova Vision INC.	Other receivable	Y	200,000	200,000	160,000	-	The need for short-term financing	-	-	-	-	-	1,023,398	1,023,398	1
1	Innova Vision INC.	Innova Vision Shenzen	Other receivable	Y	-	-	8,281	-	The need for short-term financing	465	-	-	-	-	20,327	20,327	2
1	Innova Vision INC.	Innova Technology Company	Other receivable	Y	-	-	16,990	-	The need for short-term financing	35,256	-	-	-	-	16,261	16,261	2
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	Other receivable	Y	-	-	56,171	-	The need for short-term financing	18,726	-	-	-	-	20,327	20,327	2

TAIWAN MASK CORPORATION AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
FOR THE YEAR ENDED DECEMBER 31, 2018

Table2

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Held Company		Relationship with the	DECEMBER 31, 2018					
Name	Marketable Securities Type and Name	Company	Financial Statement Account	Shares	Carrying Value	%	Fair Value	Note
TAIWAN MASK CORPORATION	Wk Technology Fund-Common Stock	None	Financial assets at fair value through profit or loss - non-current	\$ 806,400	\$ -	1.89%	\$ -	
TAIWAN MASK CORPORATION	Tech Alliance Corp.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	652,129	-	2.07%	-	
TAIWAN MASK CORPORATION	Furun Investment Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,743,000	17,430	10.53%	17,430	
TAIWAN MASK CORPORATION	Unicon Optical Co., Ltd.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	10,000,000	117,600	2.06%	117,600	
TAIWAN MASK CORPORATION	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	2,229,000	59,069	2.06%	59,069	
SunnyLake Park International Holdings, Inc.	MechanicNet Group, Inc.-Preferred Stock	None	Financial assets at fair value through profit or loss - non-current	759,999	-	特別股	-	
SunnyLake Park International Holdings, Inc.	MechanicNet Group, Inc.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	166,666	-	3.74%	-	
SunnyLake Park International Holdings, Inc.	Telegraph Hill Partners II, L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	-	1.74%	-	
SunnyLake Park International Holdings, Inc.	Telegraph Hill Partners III, L.P.-Fund	None	Financial assets at fair value through profit or loss - non-current	-	USD 2,759,169	0.85%	USD 2,759,169	
Youe Chung Capital Corporation	Orgchem Technologies, INC.-Common Stock	None	Financial assets at fair value through profit or loss - non-current	1,453,288	19,074	2.66%	19,074	
Youe Chung Capital Corporation	Spirox Corporation-Common Stock	None	Financial assets at fair value through profit or loss - non-current	3,421,000	90,656	3.31%	90,656	
Youe Chung Capital Corporation	Macroblock, INC.-Common Stock	The company is a director of the company	Financial assets at fair value through profit or loss - non-current	3,647,609	330,838	9.12%	330,838	
Youe Chung Capital Corporation	Aptos Technology-Common Stock	None	Financial assets at fair value through profit or loss - non-current	4,964,216	12,411	8.74%	12,411	
Youe Chung Capital Corporation	TAIWAN MASK CORPORATION-Common Stock	Subsidiary	Financial assets at fair value through profit or loss - non-current	37,081,440	680,444	14.67%	680,444	

TAIWAN MASK CORPORATION AND SUBSIDIARIES
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

Table3

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Company Name	Marketable Securities Type and Name (Note 1)	Financial Statement Account	Counter -party (Note 2)	Nature of Relationship (Note 2)	Beginning Balance		Acquisition (Note 3 and 4)		Disposal (Note 3)				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain/Loss on Disposal	Shares	Amount (Note 5)
Youe Chung Capital Corporation	Macroblock, INC- Stock	Financial assets at fair value through profit or loss - non- current	-	-	-	\$ -	3,647,609	\$ 305,669	-	\$ -	\$ -	\$ -	3,647,609	\$ 330,838

Note1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above projects.

Note2: Investors using the equity method in the securities account must fill in the two columns.

Note3: The cumulative purchase and sale amount should be calculated separately according to the market price to reach NT\$300 million or 20% of the paid-up capital.

Note4: The acquisition in this period include the purchase of 3,500,000 shares and 147,609 shares of stock dividends.

TAIWAN MASK CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

				(Amounts in thousands of new Taiwan dollars and foreign currencies,Unless Specified Otherwise)			
			Nature of	Intercompany Transactions			
No.			Relationship (Note	Financial Statements			Percentage of Consolidated Net
(Note 1)	Company Name	Related Party	2)	Account	Amount	Terms	Revenue or Total Assets (Note 3)
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Other receivables	\$ 182,946	Pay by agreed time	4.73%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Interest income	3,181	Pay by agreed time	0.11%
0	TAIWAN MASK CORPORATION	Innova Vision INC.	1	Rental income	8,618	Pay by agreed time	0.30%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Other receivables	138,000	Pay by agreed time	3.57%
0	TAIWAN MASK CORPORATION	Youe Chung Capital Corporation	1	Interest income	2,282	Pay by agreed time	0.08%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Other receivables	65,780	Pay by agreed time	1.70%
0	TAIWAN MASK CORPORATION	Miracle Technology CO., LTD.	1	Sales	7,863	Month-end 60 days	0.27%
0	TAIWAN MASK CORPORATION	Miko Technology co., Ltd.	1	Sales	49,321	Month-end 60 days	1.71%
1	Innova Vision INC.	Miko Technology co., Ltd.	3	Trade receivables	5,810	Month-end 60 days	0.15%
1	Innova Vision INC.	Innova Technology Company	3	Sales	33,388	Month-end 90 days	1.16%
1	Innova Vision INC.	Innova Technology Company	3	Trade receivables	22,570	Month-end 90 days	0.58%
1	Innova Vision INC.	Innova Technology Company	3	Other receivables	16,990	Pay by agreed time	0.44%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	18,978	Month-end 30 days	0.66%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Trade receivables	3,160	Month-end 30 days	0.08%
1	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other receivables	56,171	Pay by agreed time	1.45%
1	Innova Vision INC.	Innova Vision Shenzhen	3	Other receivables	8,281	Pay by agreed time	0.21%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Sales	3,120	Month-end 30 days	0.11%
2	Miracle Technology CO., LTD.	Miko Technology co., Ltd.	3	Other payables	43,218	Pay by agreed time	1.12%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Sales	62,158	Month-end 30 days	2.15%
3	Miko Technology co., Ltd.	Miracle International Enterprise(ShanHai) Co., Ltd.	3	Trade receivables	18,671	Month-end 30 days	0.48%

Note 1: TAIWAN MASK CORPORATION and its subsidiaries are coded as follows:

- a. TAIWAN MASK CORPORATION is coded 0.
- b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

- a. The parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of assets and liabilities, the ending balance is calculated as the total assets. If it is a profit or loss item, the accumulated amount in the period accounts for the total combined revenue.

Note 4: Only transactions with a total amount of NT\$1 million or more will be disclosed, and the transaction will not be disclosed separately.

TAIWAN MASK CORPORATION AND SUBSIDIARIES
NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018

Table5

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Investing in communication business	203,026	191,183	6,344,000	100	84,774 (	65) (	65)	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Investing in communication business	1,697,627	300,000	142,329,470	100	413,877 (	325,699) (	43,736)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	52,040	190,706	5,203,956	30.26	12,301 (	130,110) (	39,368)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	165,691	98,700	12,549,652	28.48	98,808 (	111,323) (	32,924)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power component design, etc.	252,651	252,651	10,527,143	100	313,715	56,132	61,787	
Taiwan Mask Corporation	Weida Hi-Tech	Taiwan	Research, design, development, manufacturing and sales of display panel control chips and modules	293,371	-	25,510,500	100	233,623 (	40,964) (	21,495)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Medical device manufacturing, wholesale and trading	55,146	50,785	5,514,596	32.06	13,035 (	130,110) (	36,520)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, research and development, manufacturing	65,719	30,000	3,550,223	9.85	27,952 (	111,323) (	7,432)	
Innova Vision INC.	Innova Technology Company	Taiwan	Contact lens sales	5,000	5,000	500,000	100 (	35,322) (	9,020) (	9,020)	
Innova Vision INC.	Calaview International Holding Company Limited	Seychelles	Investing in communication business	-	-	1,000,000	100 (	7,834) (	2,319) (	2,319)	
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	British Virgin Islands	Investing in communication business	60,157	60,157	1,000,000	100 (	45,678) (	6,953) (	6,953)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	8,349	-	600	8.06 (	4,662) (	7,161) (	206)	
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Japan	Contact lens sales	56,420	56,420	5,900	90.77 (	45,847) (	7,161) (	6,955)	
Miracle Technology CO., LTD.	Jingjing Investment Co., Ltd.	Taiwan	Investing in communication business	10,012	10,012	1,400,000	100	160,700	55,889	55,889	
Miracle Technology CO., LTD.	Miracle(Samoa)Co.,Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
MIRACLE(SAMOA)CO.,LTD	Misun Technology Co., Ltd.	British Virgin Islands	Investing in communication business	10,215	10,215	-	100	20,275	3,094	3,094	
Jingjing Investment Co., Ltd.	Miko Technology Co., Ltd.	Hong Kong	Investing in communication business	37	37	10,000	100	64,863	28,115	28,115	
Weida Hi-Tech	Smart Touch Co.,Ltd.	British Virgin Islands	Investing in communication business	14,602	15,847	4,573	100	3 (	1,842) (	1,842)	
Weida Hi-Tech	Central Star Ltd.	Seychelles	Investing in communication business	4,076	7,657	129,200	22.3	- (	1,023) (	228)	
Smart Touch Co.,Ltd.	Central Star Ltd.	British Virgin Islands	Investing in communication business	13,714	13,714	450,000	77.7	1 (	1,023) (	795)	

TAIWAN MASK CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

Table6

(Amounts in thousands of new Taiwan dollars and foreign currencies, Unless Specified Otherwise)

Investee Company	Main Businesses	Total	Method of Investment (Note 1)	Balance of	Investment Flows		Balance	Net Income	Percentage of Ownership (%)	Income (Loss)	Carrying	Balance of	Note
		Amount of		Accumulated	Outflow of	Outflow of	(Loss) of the	Recognized in		Amount as of	Accumulated		
		Paid-in	Investment	Outflow of	Investment	Investee	Current Period	December 31,	Inward				
		Capital	(Note 1)	Investment	Outflow	Inflow	Investment	Company	(%)	(Note 2)	2018	Remittance of	
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	\$ 3,283	2	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 27,480	100%	\$ 27,480	\$ 109,719	\$ -	註2(2)B
Miracle International Enterprise(ShanHai) Co., Ltd.	Electronic component manufacturing, wholesale of electronic materials and precision instruments, power	10,215	2	10,215	-	-	10,215	3,094	100%	3,094	20,275	-	註2(2)B
Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	11,618	2	-	-	-	-	(5,054)	100%	(2,967)	25,380	-	註2(2)B
Innova Vision Shenzhen	Medical device manufacturing, wholesale and tradin	4,337	2	-	-	-	-	(2,319)	100%	(2,319)	(7,860)	-	註2(2)B
Touch Hi-Tech	Research, design, development, manufacturing and sales of display	5,743	2	4,109	1,634	-	5,743	(8,079)	100%	(5,215)	2,045	-	註2(2)B
Company	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts	Upper Limit on Investment Authorized by Investment Commission, MOEA										
Miko-China Enterprise (Shanghai) Co., Ltd.	\$ 3,283	\$ 3,283	\$ 166,564										
Miracle International Enterprise(ShanHai) Co., Ltd.	10,215	10,215	166,564										
Sichuan Miracle Power Technology Co., Ltd.	-	-	166,564										
Innova Vision Shenzhen	-	4,337	24,392										
Touch Hi-Tech	5,743	5,743	100,027										

Note 1 : The methods for engaging in investment in Mainland China include the following:

- Direct investment in Mainland China.
- Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).
- Other methods.

Note 2 : The investment income (loss) recognized in current period: Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

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

- The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
- The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.
- Others.

Note 3: The relevant figures in this table should be listed in NTD.