CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHICONY ELECTRONICS CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Chicony Electronics Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, 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 other independent accountants (refer to "Other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 reports of other independent accountants, 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 judgement, 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 of the current period are stated as follows:

Appropriateness of warehouse operating revenue cut-off

Description

Refer to Notes 4(31) and 6(23) for policies on revenue recognition and details of revenue.

The Group's revenue arises from sales of goods, consisting mainly of factory direct shipment and warehouse sales revenue. Warehouse sales revenue is recognised when the goods are dispatched from the warehouses (transfer of control of products) and it is based on the reports and other relevant information provided by the warehouse custodians. The Group's warehouses are located in multiple countries, and the revenue recognition process involves several manual operations. Thus, we determine the warehouse sales revenue cut off as one of the key areas of focus for this fiscal year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Evaluated the internal controls for regular reconciliation between the Group and its warehouse custodians.
2. Performed the revenue recognition cut-off tests, including obtaining sufficient appropriate audit evidences from the warehouse custodians and reviewing the reconciliations of the Group's accounting records.
3. Conducted warehouse inventory audit by using physical counts or using confirmation letters to validate inventory balances with the warehouse custodians.

Valuation of inventory

Description

Refer to Notes 4(12), 5(2) and 6(6) for the description of accounting policy, critical accounting estimates, uncertainty of assumptions and details of accounts.

The Group's main inventories are keyboard, power supplies, camera modules and other electronic products. The prices of such inventories are affected by market demand and the rapid technological changes. Therefore, there is higher risk of market decline. As the assessment of net realisable value of inventories is subject to management judgement, we consider the valuation of inventory as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed whether the Group's accounting policies comply with the relevant standards and the Group’s industry practice and the reasonableness of management’s evaluation process, including the determination of net realisable value of inventories, the sales expenses and the judgement of obsolete inventories. Checked whether the provision policies were consistently adopted in the reporting periods.
2. Obtained net realisable value statement of inventories to confirm whether the calculation logic was adopted consistently, and tested the data sources of selected samples which includes inventory price or purchase price to verify whether the net realisable value used by the management was in compliance with its policies, and recalculated the accuracy of allowance for inventory valuation losses.

Other matter - Audit of other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information disclosed in Note 13 was based solely on the reports of other independent accountants. Total assets (including investments accounted for under the equity method) of NT$1,450,280 thousand and NT$1,334,746 thousand, constituted 2.10% and 1.98% of consolidated total assets as of December 31, 2018 and 2017, respectively. Total sales revenue of NT$2,815,523 thousand

and NT$2,786,115 thousand, constituted 3.23% and 3.56% of consolidated total sales revenue for the years ended December 31, 2018 and 2017, respectively.

Other matter - Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Chicony Electronics Co., Ltd. as at 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 Supervisors, are responsible for overseeing the Group's financial reporting process.

Independent accountant'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 judgement 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 controls.
2. Obtain an understanding of internal controls 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 controls.
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 the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Chen, Chin-Chang   Weng, Shih-Jung
For and on behalf of PricewaterhouseCoopers, Taiwan
March 7, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018	December 31, 2017
	Current assets			
1100	Cash and cash equivalents	6(1)	$ 1,952,439	$ 2,679,941
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	4,316,587	412,311
1120	Financial assets at fair value through other comprehensive income - current	6(3)	2,920,108	-
1125	Available-for-sale financial assets - current	12(4)	-	6,734,294
1150	Notes receivable, net	6(4)	360,995	842,816
1170	Accounts receivable, net	6(4)	17,615,816	18,060,476
1180	Accounts receivable - related parties	7	314,182	325,997
1200	Other receivables		314,508	503,149
130X	Inventories, net	6(6)	15,078,468	12,458,261
1410	Prepayments		1,591,001	1,401,826
1460	Non-current assets classified as held for sale, net	6(11)	1,956,546	-
1470	Other current assets	8	1,493	51,723
11XX	**Total current assets**		46,422,143	43,470,794
	Non-current assets			
1510	Financial assets at fair value through profit or loss – non-current	6(2)	1,993,760	-
1517	Financial assets at fair value through other comprehensive income – non-current	6(3)	858,124	-
1523	Available-for-sale financial assets – non-current	12(4)	-	883,509
1543	Financial assets carried at cost – non-current	12(4)	-	2,266,656
1550	Investments accounted for under equity method	6(7)	31,755	45,719
1600	Property, plant and equipment, net	6(8) and 8	12,371,429	13,554,882
1760	Investment property - net	6(9) and 8	5,537,730	5,517,981
1780	Intangible assets	6(10)	233,688	249,404
1840	Deferred income tax assets	6(29)	97,958	162,296
1900	Other non-current assets	6(12) and 8	1,385,321	1,303,139
15XX	**Total non-current assets**		22,509,765	23,983,586
1XXX	**Total assets**		$ 68,931,908	$ 67,454,380

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CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
	Current liabilities			
2100	Short-term borrowings	6(13) and 8	$ 5,643,630	$ 4,246,383
2120	Financial liabilities at fair value through profit or loss - current	6(2) and 12(4)	70,777	488,548
2130	Contract liabilities - current		145,243	-
2150	Notes payable		1,720	2,187
2170	Accounts payable	6(14)	22,713,760	20,737,567
2180	Accounts payable - related parties	7	300,503	482,419
2200	Other payables	6(15)	8,307,849	9,125,867
2230	Current income tax liabilities		1,490,003	1,564,325
2300	Other current liabilities	6(16)	508,717	226,178
21XX	**Total current liabilities**		39,182,202	36,873,474
	Non-current liabilities			
2540	Long-term borrowings	6(16) and 8	1,006,224	1,831,281
2570	Deferred income tax liabilities	6(29)	297,554	230,809
2600	Other non-current liabilities	6(17)	264,404	243,421
25XX	**Total non-current liabilities**		1,568,182	2,305,511
2XXX	**Total liabilities**		40,750,384	39,178,985
	Equity attributable to owners of parent			
	Share capital	6(19)		
3110	Share capital - common stock		7,303,799	7,206,051
	Capital surplus	6(20)		
3200	Capital surplus		5,633,933	5,136,660
	Retained earnings	6(21)		
3310	Legal reserve		4,617,199	4,215,046
3320	Special reserve		1,861,304	433,524
3350	Unappropriated retained earnings		8,455,531	9,144,208
	Other equity interest	6(22)		
3400	Other equity interest		(3,065,027)	(1,824,687)
3500	**Treasury stocks**	6(19) and 8	(728,584)	(517,165)
31XX	**Equity attributable to owners of the parent**		24,078,155	23,793,637
36XX	**Non-controlling interest**		4,103,369	4,481,758
3XXX	**Total equity**		28,181,524	28,275,395
	Significant contingent liabilities and unrecognised contract commitments	9		
	Significant events after the balance sheet date	11		
3X2X	**Total liabilities and equity**		$ 68,931,908	$ 67,454,380

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Years ended December 31, 2018	Years ended December 31, 2017
4000	**Sales revenue**	6(23), 7 and 12(5)	$ 87,260,406	$ 78,155,686
5000	**Operating costs**	6(6)(27)(28) and 7	(74,643,642)	(64,701,349)
5900	**Net operating margin**		12,616,764	13,454,337
	Operating expenses	6(27)(28)		
6100	Selling expenses		(3,140,664)	(3,544,903)
6200	General and administrative expenses		(2,162,176)	(2,390,500)
6300	Research and development expenses		(2,515,632)	(2,949,604)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(148,756)	-
6000	**Total operating expenses**		(7,967,228)	(8,885,007)
6900	**Operating profit**		4,649,536	4,569,330
	Non-operating income and expenses			
7010	Other income	6(24)	799,617	780,659
7020	Other gains and losses	6(25)	(255,145)	969,738
7050	Finance costs	6(26)	(143,035)	(104,700)
7060	Share of loss of associates and joint ventures accounted for under equity method	6(7)	(15,501)	(125,008)
7000	**Total non-operating income and expenses**		385,936	1,520,689
7900	**Profit before income tax**		5,035,472	6,090,019
7950	Income tax expense	6(29)	(1,056,563)	(1,217,803)
8200	**Profit for the year**		$ 3,978,909	$ 4,872,216

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CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Items	Notes	Years ended December 31, 2018	2017
	Other comprehensive income			
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss			
8311	Actuarial loss on defined benefit plan	6(17)	($ 13,253)	($ 23,363)
8312	Gains on revaluation	6(9)	155,281	-
8316	Unrealised loss on equity instruments at fair value through other comprehensive income		(493,547)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(161,893)	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(513,412)	(23,363)
	Components of other comprehensive income (loss) that will be reclassified to profit or loss			
8361	Financial statements translation differences of foreign operations		(5,217)	(1,110,924)
8362	Unrealised loss on valuation of available-for-sale financial assets		-	(1,264,999)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		1,537	(3,984)
8360	**Other comprehensive loss that will be reclassified to profit or loss**		(3,680)	(2,379,907)
8300	**Total other comprehensive loss for the year**		($ 517,092)	($ 2,403,270)
8500	**Total comprehensive income for the year**		$ 3,461,817	$ 2,468,946
	Profit attributable to:			
8610	Owners of the parent		$ 3,590,711	$ 4,021,529
8620	Non-controlling interest		$ 388,198	$ 850,687
	Comprehensive income attributable to:			
8710	Owners of the parent		$ 3,203,987	$ 2,113,156
8720	Non-controlling interest		$ 257,830	$ 355,790
	Earnings per share	6(30)		
9750	**Basic earnings per share**		$ 5.22	$ 5.89
9850	**Diluted earnings per share**		$ 5.15	$ 5.81

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											
				Retained Earnings			Other Equity Interest						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Asset revaluation increment	Treasury stocks	Total	Non-controlling interest	Total equity
Year ended December 31, 2017													
Balance at January 1, 2017		$ 7,120,820	$ 4,629,152	$ 3,861,939	$ 951,488	$ 8,049,113	$ 55,011	($ 1,379,630)	$ 1,388,279	($ 517,165)	$ 24,159,007	$ 4,365,926	$ 28,524,933
Profit for 2017		-	-	-	-	4,021,529	-	-	-	-	4,021,529	850,687	4,872,216
Other comprehensive loss for 2017	6(22)	-	-	-	-	(20,026)	(1,064,485)	(823,862)	-	-	(1,908,373)	(494,897)	(2,403,270)
Total comprehensive income (loss)		-	-	-	-	4,001,503	(1,064,485)	(823,862)	-	-	2,113,156	355,790	2,468,946
Appropriations of 2016 earnings	6(21)												
Legal reserve		-	-	353,107	-	(353,107)	-	-	-	-	-	-	-
Reversal of special reserve		-	-	-	(517,964)	517,964	-	-	-	-	-	-	-
Stock dividends		35,712	-	-	-	(35,712)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,035,553)	-	-	-	-	(3,035,553)	-	(3,035,553)
Employees' stock dividends		49,519	310,481	-	-	-	-	-	-	-	360,000	-	360,000
Cash dividends paid to the subsidiaries		-	157,218	-	-	-	-	-	-	-	157,218	-	157,218
Difference between proceeds from addition and disposal of subsidiary and book value		-	7	-	-	-	-	-	-	-	7	(7)	-
Adjustments to share of changes in equity of associates and joint ventures		-	111,028	-	-	-	-	-	-	-	111,028	335,297	446,325
Changes in equity of associates and joint ventures accounted for using equity method		-	(71,229)	-	-	-	-	-	-	-	(71,229)	-	(71,229)
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(570,579)	(570,579)
Others (overdue dividends)		-	3	-	-	-	-	-	-	-	3	-	3
Non-controlling interest adjustment		-	-	-	-	-	-	-	-	-	-	(4,669)	(4,669)
Balance at December 31, 2017		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637	$ 4,481,758	$ 28,275,395
Year ended December 31, 2018													
Balance at January 1, 2018		$ 7,206,051	$ 5,136,660	$ 4,215,046	$ 433,524	$ 9,144,208	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 517,165)	$ 23,793,637	$ 4,481,758	$ 28,275,395
Effect of retrospective application and restatement	3(1)	-	-	-	-	860,203	-	(905,391)	-	-	(45,188)	(8,690)	(53,878)
Balance at January 1, 2018 after adjustments		7,206,051	5,136,660	4,215,046	433,524	10,004,411	(1,009,474)	(3,108,883)	1,388,279	(517,165)	23,748,449	4,473,068	28,221,517
Profit for 2018		-	-	-	-	3,590,711	-	-	-	-	3,590,711	388,198	3,978,909
Other comprehensive income (loss) for 2018	6(22)	-	-	-	-	(8,143)	23,660	(395,629)	(6,612)	-	(386,724)	(130,368)	(517,092)
Total comprehensive income (loss)		-	-	-	-	3,582,568	23,660	(395,629)	(6,612)	-	3,203,987	257,830	3,461,817
Appropriations of 2017 earnings	6(21)												
Legal reserve		-	-	402,153	-	(402,153)	-	-	-	-	-	-	-
Special reserve		-	-	-	1,427,780	(1,427,780)	-	-	-	-	-	-	-
Stock dividends		36,199	-	-	-	(36,199)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,221,684)	-	-	-	-	(3,221,684)	-	(3,221,684)
Employees' stock dividends		61,549	391,451	-	-	-	-	-	-	-	453,000	-	453,000
Purchase of treasury share		-	-	-	-	-	-	-	-	(211,419)	(211,419)	-	(211,419)
Cash dividends paid to the subsidiaries		-	165,439	-	-	-	-	-	-	-	165,439	-	165,439
Difference between proceeds from addition and disposal of subsidiary and book value		-	(134,690)	-	-	-	-	-	-	-	(134,690)	134,690	-
Adjustments to share of changes in equity of associates and joint ventures		-	73,905	-	-	-	-	-	-	-	73,905	56,433	130,338
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(630,314)	(630,314)
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(43,632)	-	43,632	-	-	-	(7,675)	(7,675)
Non-controlling interest adjustment		-	-	-	-	-	-	-	-	-	-	(180,663)	(180,663)
Others (overdue dividends)		-	1,168	-	-	-	-	-	-	-	1,168	-	1,168
Balance at December 31, 2018		$ 7,303,799	$ 5,633,933	$ 4,617,199	$ 1,861,304	$ 8,455,531	($ 985,814)	($ 3,460,880)	$ 1,381,667	($ 728,584)	$ 24,078,155	$ 4,103,369	$ 28,181,524

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,035,472	$ 6,090,019
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(27)	2,043,512	1,969,888
Intangible assets amortisation	6(10)(27)	78,488	71,006
Other non-current assets recognised as expenses	6(27)	57,839	56,895
Long-term prepaid rent expense	6(12)(27)	10,119	8,281
Reversal of allowance for uncollectible accounts		-	(7,620)
Impairment loss determined in accordance with IFRS 9	12(2)	148,756	-
Share-based payments	6(18)	16,077	51,951
Interest income	6(24)	(50,882)	(38,665)
Dividend income	6(24)	(231,228)	(186,211)
Interest expense	6(26)	143,035	104,700
Net (gain) loss on financial assets and liabilities at fair value - derivative instruments	6(2)(25) and 12(4)	(449,292)	949,378
Net loss on financial assets and liabilities at fair value - other	6(25)	530,390	-
Share of loss of associates accounted for using equity method	6(7)	15,501	125,008
Gain on disposal of investments accounted for using equity method		-	(776,362)
Loss (gain) on disposal of property, plant and equipment	6(25)	15,161	(30,484)
Gain on disposal of investments	6(25)	-	(654,696)
Impairment loss on non-financial assets	6(10)(25)	-	96
Gain on fair value adjustment of investment property	6(9)(25)	(31,930)	(51,789)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets and liabilities at fair value through profit or loss - current		93,580	(729,010)
Notes receivable		481,821	(175,581)
Accounts receivable		295,904	838,053
Accounts receivable - related parties		11,815	147,679
Other receivables		197,006	(39,103)
Inventories		(2,620,207)	(2,164,065)
Prepayments		(189,175)	(153,324)
Other current assets		50,230	(25,441)
Changes in operating liabilities			
Contract liabilities - current		(21,746)	-
Notes payable		(467)	(4,632)
Accounts payable		1,976,193	555,037
Accounts payable - related parties		(181,916)	(122,975)
Other payables		(78,501)	1,350,540
Other current liabilities		32,572	(38,085)
Other non-current liabilities		20,983	(13,723)
Cash inflow generated from operations		7,399,110	7,106,765
Interest received		50,905	39,314
Dividends received		231,228	186,211
Interest paid		(137,734)	(104,720)
Income tax paid		(1,011,559)	(888,393)
Net cash flows from operating activities		6,531,950	6,339,177

(Continued)

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
		Years ended December 31,	
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other current assets		$ -	$ 139,351
Acquisition of available-for-sale financial assets		-	(3,737,027)
Proceeds from disposal of available-for-sale financial assets		-	2,751,917
Acquisition of financial assets carried at cost		-	(624,605)
Acquisition of financial assets and liabilities at fair value through profit or loss - Other		(4,082,081)	-
Disposal of financial assets and liabilities at fair value through profit or loss - Other		3,018,862	-
Disposal of financial assets at fair value through other comprehensive income		67,341	-
Proceeds from disposal of assets carried at cost		-	69,211
Acquisition of investments accounted for using equity method		-	(279,814)
Acquisition of property, plant and equipment	6(31)	(2,214,556)	(2,364,589)
Proceeds from disposal of property, plant and equipment		128,909	193,375
Acquisition of investment property	6(9)	(33,763)	(588)
Acquisition of intangible assets	6(10)	(62,267)	(70,529)
Increase in other non-current assets		(756,838)	(653,086)
Proceeds from disposal of investments accounted for using equity method		-	120,454
Increase in refundable deposits		(40,305)	(15,675)
Net cash flows used in investing activities		(3,974,698)	(4,471,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		1,397,247	2,145,206
Increase in long-term borrowings		-	401,853
Decrease in long-term borrowings		(480,000)	(874,381)
Treasury stock transferred to employees		29,119	141,171
Change in non-controlling interests		(296,568)	(4,669)
Cash dividends distributed by subsidiaries		(630,314)	(570,579)
Payment of cash dividends		(3,056,245)	(2,878,335)
Payments to acquire treasury shares		(211,419)	-
Overdue stock dividends		1,168	3
Net cash flows used in financing activities		(3,247,012)	(1,639,731)
Effect of exchange rate changes		(37,742)	(624,507)
Net decrease in cash and cash equivalents		(727,502)	(396,666)
Cash and cash equivalents at beginning of year	6(1)	2,679,941	3,076,607
Cash and cash equivalents at end of year	6(1)	$ 1,952,439	$ 2,679,941

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

CHICONY ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

1. HISTORY AND ORGANISATION

Chicony Electronics Co., Ltd. (the "Company") was incorporated in 1983 as a company limited by shares under the provisions of the Company Law of the Republic of China. The Company has been a listed company since 1999. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacturing and sales of keyboards and other computer peripheral components.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 7, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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 measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

B. The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 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 credit 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.

When adopting the new standards endorsed by the FSC effective from 2018, the Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9 and IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
January 1, 2018				
Financial assets at fair value through profit or loss - current	$ 412,311	$ 3,352,971	$ 3,765,282	A、B
Available-for-sale financial assets - current	6,734,294	(6,734,294)	-	"
Financial assets at fair value through other comprehensive income - current	-	3,381,323	3,381,323	"
Financial assets at fair value through profit or loss - non-current	-	2,178,876	2,178,876	"
Available-for-sale financial assets - non-current	883,509	(883,509)	-	"
Financial assets at fair value through other comprehensive income - non-current	-	917,411	917,411	"
Financial assets carried at cost - non-current	2,266,656	(2,266,656)	-	"
Total affected assets	$ 10,296,770	($ 53,878)	$ 10,242,892	

Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
Contract liabilities - current	$ -	$ 166,989	$ 166,989	F
Other current liabilities	226,178	(166,989)	59,189	"
Total affected liabilities	226,178	-	226,178	
Retained earnings	13,792,778	860,203	14,652,981	A、B、C、D
Other equity interest	(1,824,687)	(905,391)	(2,730,078)	"
Non-controlling interest	4,481,758	(8,690)	4,473,068	A、B
Total affected equity	16,449,849	(53,878)	16,395,971	
Total affected liabilities and equity	$ 16,676,027	($ 53,878)	$ 16,622,149	

Explanation:

A. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $3,381,323, $64,592 and $949,409, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, decreasing other equity interest and non-controlling interest in the amounts of $3,381,323, $917,411, $96,232 and $358, respectively.

B. In accordance with IFRS 9, the Group reclassified available-for-sale financial assets - current, available-for-sale financial assets - non-current and financial assets carried at cost - non-current in the amounts of $3,352,971, $818,917 and $1,317,247, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, decreasing retained earnings, increasing other equity interest and decreasing non-controlling interest in the amounts of $3,352,971, $2,178,876, $239,786, $290,830 and $ 8,332, respectively.

C. In accordance with IFRS 9, the Group transferred impairment loss on available-for-sale financial assets recognised under IAS 39 into other equity interest by decreasing other equity interest and increasing retained earnings in the amounts of $1,099,989 and $1,099,989, respectively.

D. The reconcilation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Available-for-sale - current	Available-for-sale - non-current	
	Measured at fair value through other comprehensive income – current	Measured at fair value through other comprehensive income – non-current	Total
IAS 39	$ 81,264	$ 1,018,725	$ 1,099,989
Impairment loss adjustment	(81,264)	(1,018,725)	(1,099,989)
IFRS 9	$ -	$ -	$ -

E. Please refer to Note 12(4) for other disclosures in relation to the first application of IFRS 9.

F. Presentation of contract assets and liabilities

Due to applicable to IFRS 15 requirements, the Group changed the presentation of accounts in the balance sheet. Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as 'other current liabilities') in the balance sheet. The balance amounted to $166,989 on January 1, 2018.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 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 operating result based on the Group's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $913,892 and $470,130, and long-term prepaid rents (shown as 'other non-current assets') will be decreased by $443,762.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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, these consolidated financial statements have been prepared under the historical cost convention:

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

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

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

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

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 recognised as retained earnings, other equity or non-controlling interest 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 (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Chicony Electronics Co., Ltd. (CEC)	Chicony Overseas Inc. (COI)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Unikey Electronics Co., Ltd. (UNIKEY)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Hipro Overseas (BVI) Inc. (HOI)	Sales of switching power supplies and other electronic parts and management of overseas acquisitions and investments	100%	100%	
"	Hipro Electronics Ltd. (HEC)	Sales of switching power supplies and other electronic parts	100%	100%	
"	XAVi Technology Corp. (XAVi)	Researching, manufacturing and sales of DSL bridges and routers	44.30%	42.69%	Note A
"	Chicony Electronics (Thailand) Co., Ltd. (CET)	Manufacturing and sales of computer peripherals	100%	100%	
"	Chicony Global Inc. (CGI)	Sales of computer peripherals	100%	100%	
"	Chicony Power Technology Co., Ltd. (CP)	Manufacturing and sales of plastic goods	49.08%	47.85%	Note A
"	Had Eri Iou Industrial Inc. Ltd. (HEI)	Manufacturing and sales of plastic goods	-	50.25%	Note B
COI	Chicony America Inc. (CAI)	Sales of computer peripherals	100%	100%	
"	Chicony Electronics(Dong Guan) Co., Ltd. (CEM2)	Manufacturing and sales of computers and computer peripherals	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
COI	Mao-Feng International Inc. (Mao-Feng)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony Electronics (Suzhou) Co., Ltd. (CEM3)	Manufacturing and sales of computers and computer peripherals	100%	100%	
"	Global Faith Inc. (GFI)	Sales of computer peripherals and management of overseas acquisitions and investments	60%	60%	
"	Real Young Electronics Co., Ltd. (Real Young)	Design and sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Mao-Ray Electronics (DongGuan) Co., Ltd. (Mao-Ray)	Manufacturing of electronic parts, keyboards and plastic products	100%	100%	
"	Suzhou Mao-Qun Electronics Co., Ltd. (Mao-Qun)	Manufacturing of electronic parts, keyboards and plastic products	60%	60%	
"	Chicony Electronics CEZ s.r.o. (CEZ)	Sales of computer peripherals	100%	100%	
"	Suzhou Qun-Yang Electronics Co., Ltd. (Qun-Yang)	Manufacturing and sales of electronic parts, keyboard and plastic products	60%	60%	
"	Chicony Electronics Japan Co., Ltd. (CEJ)	Sales of computer peripherals	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
COI	Kuang Mao International Inc. (Kuang Mao)	Sales of computer peripherals and management of overseas acquisitions and investments	100%	100%	
"	Chicony America Group Inc. (CAGI)	Internet solution for E-Commerce solution	100%	100%	
"	Chicony Electronics (Chong-Qing) Co., Ltd. (CEM5)	Manufacturing and sales of computer peripherals	100%	100%	
"	Hikari Investment GK (Hikari)	Investment holdings	99%	99%	
HEC	Quansun Investment Corp. Ltd. (Quansun)	Investment holdings	100%	100%	
"	Qun-Jing Power Co., Ltd. (Qun-Jing)	Sales of computer peripherals and consumer equipment	100%	100%	
CP	Chicony Power Holdings Inc. (CPH)	Investment holdings	100%	100%	
"	Chicony Power International Inc. (CPI)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power USA Inc. (CPUS)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	
"	Chicony Power Technology HongKong Limited (CPHK)	Research and development centre	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CP	WitsLight Technology Co., Ltd. (WTS)	Design, research and development, manufacturing and sale of LED lighting modules	78.125%	78.125%	
WTS	WitsLight Technology Co., Ltd. (WT)	Design, research and development of LED lighting modules and international trade	100%	100%	
"	WitsLight Technology (Kunshan) Co., Ltd. (WTK)	Manufacturing and sales of LED lighting modules	100%	100%	
"	Zhuzhou Torch Auto Lamp CO., Ltd. (Zhuzhou Torch)	Production and sales of automotive and motorcycle components, electric machine and device, lamps and plastic products	100%	100%	
"	Carlight Technology Co., Ltd. (CT)	Design, researching and developing and sales of automotive and motorcycle lamps and other components	100%	100%	
CPHK	Chicony Power Technology (DongGuan) Co., Ltd. (CPDG) (Formerly Hipro Electronics (Dong Guan) Co., Ltd.)(HDG)	Manufacturing and sales of switching power supplies and other electronic parts	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
CPHK	Chicony Power Technology (Suzhou) Co., Ltd. (CPSZ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Quang Sheng Electronics (Nanchang) Co., Ltd. (GSE)	Production and sales of electronic equipment (magnetic element, circuit board and keyboard) and voltage transformer	100%	100%	
"	Chicony Power Technology (Chong-Qing) Co., Ltd. (CPCQ)	Production and sales of electronic equipment (high-performance power supply, power module and voltage transformer) and LED lighting equipment	100%	100%	
"	Chicony Energy Saving Technology (Shanghai) Co., Ltd. (CPSH)	Sales of LED lighting equipments	100%	100%	
"	Trading (Dong Guan) Co., Ltd. (CPDGT)	Importing and exporting of switching power supplies, LED lighting equipment, and other electronics	100%	100%	
XAVi	Directmax International Ltd. (Directmax)	Management of overseas acquisitions and investments	100%	100%	
"	XAVi Overseas Ltd. (XAVi Overseas)	Management of overseas acquisitions and investments	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
XAVi	Systemax Development Ltd. (Systemax)	Sales of DSL bridges and routers	100%	100%	
"	XAVi Technologies (Suzhou) Co., Ltd.	Manufacturing and sales of DSL bridges and routers	100%	100%	

Note A: Although the Company holds less than 50% of the voting shares directly or indirectly, it meets the criteria of having control power that is reported in the consolidated financial statements.

Note B: On January 15, 2018, the shareholders resolved to liquidate HEI, and the company was dismissed on January 24, 2018, and the company was deregistered in October 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 $4,103,369 and $4,481,758, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Chicony Power Technology Co., Ltd.	Taiwan	$ 3,718,030	50.92%	$3,911,459	52.15%

Summarised financial information of the subsidiaries:

Balance sheets

	Chicony Power Technology Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 17,955,003	$ 16,560,484
Non-current assets	3,920,715	3,849,167
Current liabilities	(14,440,152)	(12,679,961)
Non-current liabilities	(95,722)	(183,209)
Total net assets	$ 7,339,844	$ 7,546,481

Statements of comprehensive income

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 31,292,361	$ 27,874,928
Profit before income tax	1,334,666	1,934,691
Income tax expense	(311,266)	(372,453)
Profit for the year	1,023,400	1,562,238
Other comprehensive loss, net of tax	(267,987)	(567,359)
Total comprehensive income for the year	$ 755,413	$ 994,879
Comprehensive income attributable to non-controlling interest	$ 380,757	$ 518,611
Dividends paid to non-controlling interest	$ 619,916	$ 533,135

Statements of cash flows

	Chicony Power Technology Co., Ltd.	
	Years ended December 31,	
	2018	2017
Net cash provided by operating activities	$ 579,849	$ 2,466,208
Net cash used in investing activities	(925,301)	(1,558,254)
Net cash provided by (used in) financing activities	128,839	(883,347)
Effect of exchange rates on cash and cash equivalents	(37,158)	22,464
(Decrease) increase in cash and cash equivalents	(253,771)	47,071
Cash and cash equivalents, beginning of year	958,789	911,718
Cash and cash equivalents, end of year	$ 705,018	$ 958,789

(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 New Taiwan dollars, 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 measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses 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, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

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

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

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 and liabilities at fair value through profit or loss

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises 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 fair value through other comprehensive income

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts receivable

Effective 2018

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

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

C. The Group’s operating pattern of accounts receivable that are expected to be factored is for the purpose of selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in profit or loss.

(10) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable 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 by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Operating leases (lessor)

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

(14) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not 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 change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for 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 recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives for the buildings and structures are 20~55 years, the machinery and testing equipment are 1~10 years, the molding equipment are 1~5 years and the other equipment are 1~20 years.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the fair value model. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

(17) Operating leases (lessee)

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

(18) 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 recognised at fair value at the acquisition date.

Trademarks and licenses have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 1~10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1~10 years.

C. Goodwill

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

D. Other intangible assets are mainly technical skill and amortised on a straight-line basis over its estimated useful life of 2~14 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for 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 amortised historical cost would have been if the impairment had not been recognised.

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

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

(20) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for an investment property is measured subsequently using the fair value model.

(21) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(22) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

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

Effective 2018

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(24) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(25) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss.

They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised 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 recognised as expenses and liabilities, provided that such recognition is required under legal obligation 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. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(27) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(28) Income tax

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

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

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income 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 recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) 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.

(30) Dividends

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

(31) Revenue recognition

Effective 2018

A. Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion 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) According to the contracts with customers, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

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

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(32) Government grants

Government grants are recognised 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 recognised 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. Government grants related to property, plant and equipment are presented by deducting the grants from the asset's carrying amount and are amortised to profit or loss over the estimated useful lives of the related assets as reduced depreciation expense.

(33) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors 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 - Evaluation of investment property

The Group follows the guidance of IAS 40 'Investment property' to determine the assets to be measured at fair value. The Group's investment properties are mainly land and buildings. Their fair value is determined by an external appraiser and the fair value may be adjusted by the judgement of the external appraiser.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates.

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

C. Evaluation of investment property

The Group's investment properties are measured at fair value. The fair value is evaluated using the income approach by an external appraiser. It involves critical assumptions including occupancy rate, rent growth rate, discount rate, etc.. Those assumptions may be affected by the economic conditions, market needs, etc. that may change.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 29,338	$ 38,966
Checking accounts and demand deposits	1,485,538	2,013,715
Time deposits	437,563	627,260
	$ 1,952,439	$ 2,679,941

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. Details of cash and cash equivalents pledged as collateral are provided in Note 8.

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

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 4,021,134
Emerging stocks	125,097
Beneficiary certificates	660,722
Corporate bonds	321,774
Non-hedging derivatives	
Forward exchange contracts	350,252
	5,478,979
Valuation adjustment	(1,162,392)
	$ 4,316,587

Items	December 31, 2018
Financial liabilities mandatorily measured at fair value through profit or loss	
Non-hedging derivatives	
Forward exchange contracts	$ 68,161
Exchange rate swaps	2,616
	$ 70,777
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 584,409
Beneficiary certificates	1,232,628
	1,817,037
Valuation adjustment	176,723
	$ 1,993,760

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

	December 31, 2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss	
Equity instruments	($ 272,814)
Debt instruments	(1,893)
Beneficiary certificates	(255,683)
Derivatives	449,292
	($ 81,098)

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2018		
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
—SELL NTD/BUY USD	USD	572,000	2019.01.03~2019.12.20
—SELL RMB/BUY USD	USD	110,762	2019.01.03~2019.01.31
—SELL USD/BUY RMB	USD	296,000	2019.01.03~2019.12.31
—SELL USD/BUY NTD	USD	5,000	2019.02.25
—Currency products	USD	4,198	2019.03.18~2019.03.27
Exchange rate swaps			
—SELL NTD/BUY USD	USD	36,000	2019.01.02~2019.01.03

Forward foreign exchange contracts / Foreign exchange swap contracts

The Group entered into forward foreign exchange contracts and foreign exchange swap contracts to buy (sell) foreign exchange swap and interest rate swap to hedge exchange rate risk of import and export proceeds. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting.

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

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

Effective 2018

Items	December 31, 2018
Current items:	
Listed stocks	$ 5,739,109
Valuation adjustment	(2,819,001)
	$ 2,920,108
Non-current items:	
Listed stocks	$ 1,281,850
Unlisted stocks	967,709
	2,249,559
Valuation adjustment	(1,391,435)
	$ 858,124

A. The Group has elected to classify equity investments that are considered to be strategic investments and have steady dividend income as current and non-current financial assets at fair value through other comprehensive income in the amount of $2,920,108 and $858,124 as at December 31, 2018, respectively.

B. Aiming to satisfy the capital needs, the Group sold $67,341 equity investments at fair value which resulted in cumulative losses on disposal of $51,307 during the year ended December 31, 2018.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 493,547)
Cumulative losses reclassified to retained earnings due to derecognition	$ 51,307
Dividend income recognised in profit or loss held at end of period	$ 111,308

D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

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

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 360,995	$ 842,816
Accounts receivable	$ 17,844,440	$ 18,162,030
Less: Allowance for uncollectible accounts	(228,624)	(101,554)
	$ 17,615,816	$ 18,060,476

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	$ 17,003,966	$ 360,995	$ 17,632,745	$ 842,816
1 to 30 days	334,648	-	301,530	-
31 to 120 days	441,145	-	168,665	-
121 to 215 days	11,453	-	4,769	-
Over 360 days	53,228	-	54,321	-
	$ 17,844,440	$ 360,995	$ 18,162,030	$ 842,816

The above ageing analysis was based on past due date.

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

C. As at December 31, 2018 and 2017, 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 notes and accounts receivable held by the Group was equal to carrying amount.

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

E. The information on December 31, 2017 is provided in Note 12(4).

(5) Transfer of financial assets - Transferred financial assets that are derecognised in their entirety

A. The Group entered into a factoring agreement with financial institutions to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable and does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable. As of December 31, 2018, details of the guarantee notes issued for the factoring agreement are provided in Note 9(2).

B. As of December 31, 2018 and 2017, the outstanding accounts receivable sold were as follows:

December 31, 2018

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	$ 1,619,443	$ 1,619,443	$ 2,626,075	$ 1,619,443	3.33%~3.47%

December 31, 2017

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced
E. SUN BANK	$ 435,037	$ 435,037	$ 447,000	$ 391,274	1.98%~2.03%
Ta Chong Bank	329,832	329,832	476,800	295,318	2.00%~2.43%
	$ 764,869	$ 764,869	$ 923,800	$ 686,592	

(6) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 5,436,621	($ 513,406)	$ 4,923,215
Work in progress	2,210,890	(206,626)	2,004,264
Finished goods	8,877,437	(726,448)	8,150,989
	$ 16,524,948	($ 1,446,480)	$ 15,078,468

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 5,226,263	($ 452,092)	$ 4,774,171
Work in progress	2,017,507	(210,128)	1,807,379
Finished goods	6,497,450	(620,739)	5,876,711
	$ 13,741,220	($ 1,282,959)	$ 12,458,261

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	$ 74,091,054	$ 64,138,219
Loss on decline in market value	580,053	578,202
Others	(27,465)	(15,072)
	$ 74,643,642	$ 64,701,349

The other gains represent income from sale of scraps and wastes and the gain on physical count.

(7) Investments accounted for using equity method

A. Investments accounted for under the equity method were as follows:

	December 31, 2018	December 31, 2017
Associate:		
Sky-Fine Investment Limited (Sky-Fine)	$ 31,755	$ 45,719

B. The share of profit (loss) of associates accounted for using equity method are as follows for the years ended December 31, 2018 and 2017:

	Years ended December 31,	
	2018	2017
Associates:		
Newmax Technology Co., Ltd. (Newmax)	$ -	($ 108,013)
Sky-Fine Investment Limited (Sky-Fine)	(15,501)	(16,995)
	($ 15,501)	($ 125,008)

The amount of profit or loss of associates and other comprehensive profit or loss of the above associate accounted for using equity method, Sky - Fine Investment Limited, is evaluated based on its financial statements audited by independent accountants for the same reporting period.

C. Associates

(a) On May 22, 2017, the shareholders of Newmax Technology Co., Ltd. (“Newmax”) adopted a resolution during their meeting to raise additional cash through private placement of its common shares, resulting in the decrease in the Group’s ownership stake in Newmax from 22.38% to 17.76%. Subsequently, the number of Board members representing the Group decreased from three to one, after the re-election of Directors during the Board meeting held on October 31, 2017. The Group no longer has significant influence over Newmax as of October 31, 2017, and the investment in Newmax is remeasured at fair value.

(b) As of December 31, 2018 and 2017, the carrying amount of the Group’s individually immaterial associates amounted to $31,755 and $45,719, respectively. The Group’s share of the operating results are summarised below:

	For the years ended December 31,	
	2018	2017
Loss for the year from continuing operations	($ 15,501)	($ 16,995)
Other comprehensive income (loss), net of tax	1,537	(3,984)
Total comprehensive loss	($ 13,964)	($ 20,979)

(8) Property, plant and equipment

	Land	Buildings	Machinery	Tooling equipment	Testing equipment	Construction in progress	Others	Total
At January 1, 2018								
Cost	$ 1,350,384	$ 7,008,820	$ 6,965,235	$ 5,468,324	$ 2,084,777	$ 710,447	$ 3,793,133	$ 27,381,120
Accumulated depreciation and impairment	-	(1,807,634)	(3,541,705)	(4,264,091)	(1,600,120)	-	(2,612,688)	(13,826,238)
	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
2018								
Opening net book amount	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
Additions	-	127,694	717,531	308,307	228,856	406,296	460,409	2,249,093
Disposals	-	-	(72,735)	(52,921)	(4,376)	-	(14,038)	(144,070)
Reclassifications	(730,627)	52,369	329,965	186,336	43,385	(1,024,457)	133,541	(1,009,488)
Depreciation	-	(254,938)	(629,078)	(490,328)	(206,796)	-	(462,372)	(2,043,512)
Net exchange differences	1,313	(53,542)	(72,811)	(38,153)	(9,656)	(1,093)	(61,534)	(235,476)
Closing net book amount	$ 621,070	$ 5,072,769	$ 3,696,402	$ 1,117,474	$ 536,070	$ 91,193	$ 1,236,451	$ 12,371,429
At December 31, 2018								
Cost	$ 621,070	$ 7,098,611	$ 7,590,657	$ 5,243,730	$ 2,234,291	$ 91,193	$ 4,169,865	$ 27,049,417
Accumulated depreciation and impairment	-	(2,025,842)	(3,894,255)	(4,126,256)	(1,698,221)	-	(2,933,414)	(14,677,988)
	$ 621,070	$ 5,072,769	$ 3,696,402	$ 1,117,474	$ 536,070	$ 91,193	$ 1,236,451	$ 12,371,429

	Land	Buildings	Machinery	Tooling equipment	Testing equipment	Construction in progress	Others	Total
At January 1, 2017								
Cost	$ 1,353,790	$ 7,011,926	$ 6,858,863	$ 5,571,793	$ 1,906,483	$ 491,461	$ 3,493,181	$ 26,687,497
Accumulated depreciation and impairment	-	(1,577,770)	(3,336,988)	(4,349,837)	(1,471,628)	-	(2,456,008)	(13,192,231)
	$ 1,353,790	$ 5,434,156	$ 3,521,875	$ 1,221,956	$ 434,855	$ 491,461	$ 1,037,173	$ 13,495,266
2017								
Opening net book amount	$ 1,353,790	$ 5,434,156	$ 3,521,875	$ 1,221,956	$ 434,855	$ 491,461	$ 1,037,173	$ 13,495,266
Additions	-	48,581	476,710	375,324	211,644	437,584	468,317	2,018,160
Disposals	-	(373)	(50,080)	(63,716)	(3,029)	(27,900)	(17,793)	(162,891)
Reclassifications	-	-	120,916	197,530	36,647	(188,668)	99,557	265,982
Depreciation	-	(248,080)	(615,472)	(518,391)	(191,123)	-	(396,822)	(1,969,888)
Net exchange differences	(3,406)	(33,098)	(30,419)	(8,470)	(4,337)	(2,030)	(9,987)	(91,747)
Closing net book amount	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882
At December 31, 2017								
Cost	$ 1,350,384	$ 7,008,820	$ 6,965,235	$ 5,468,324	$ 2,084,777	$ 710,447	$ 3,793,133	$ 27,381,120
Accumulated depreciation and impairment	-	(1,807,634)	(3,541,705)	(4,264,091)	(1,600,120)	-	(2,612,688)	(13,826,238)
	$ 1,350,384	$ 5,201,186	$ 3,423,530	$ 1,204,233	$ 484,657	$ 710,447	$ 1,180,445	$ 13,554,882

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	For the years ended December 31,	
	2018	2017
Amount capitalised	$ 16,209	$ 15,886
Interest rate	0.96%~1.32%	0.96%~2.04%

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Notes 6(16) and 8.

C. As the management intends to sell the Group's land and residential compound building located in Sanchong District, New Taipei City after construction completion, the Group reclassified "Land" and "Construction in progress" to "Investment property", amounting to $1,656,343 (the original book value). To promptly reflect the fair value information, the Group has undertaken a revaluation of the aforementioned properties in accordance with the regulations on revaluation at fair value when transferred to investment property at fair value in the fourth quarter of 2018. The revaluation surplus amounted to $155,281 which was recognised as other comprehensive income – revaluation surplus on the day of change in use of the property. After deduction of deferred tax liabilities recognised due to revaluation amounting to $150,136, the remaining balance of $5,145 was added to revaluation surplus of shareholders' equity.

(9) Investment property

	2018	2017
At January 1	$ 5,517,981	$ 5,547,494
Additions－from subsequent expenditures	33,763	588
Reclassifications－transfer out	(1,956,546)	-
Reclassifications－transfer in	1,811,624	-
Gain on fair value adjustment	31,930	51,789
Net exchange differences	98,978	(81,890)
At December 31	$ 5,537,730	$ 5,517,981

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

	Years ended December 31,	
	2018	2017
Rental income from investment property	$ 163,925	$ 134,039
Direct operating expenses arising from the investment property that generated rental income during the year	$ 90,340	$ 61,999
Direct operating expenses arising from the investment property that did not generate rental income during the year	$ 33,596	$ 36,561

B. Basis of investment property at fair value:

The Group's investment properties are land and buildings of office building and residential compound building. Office buildings are located in Tokyo City, Sanchong District and Wugu District in New Taipei City. They mainly earn from rental revenue with rental periods ranging from 1 to 7 years. Residential compound building is located in Sanchong District in New Taipei City and mainly for the purpose of selling. The assumptions used for the years ended December 31, 2018 and 2017 are as follows:

(a) Details of the Group's investment property are as follows:

	December 31, 2018		
The subject	CEC Headquarter	Wugu Building	Residential Compound Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Sanchong District, New Taipei City
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)	October 22, 2018 (Note)	October 30, 2018 (Note)

	December 31, 2017		
The subject	CEC Headquarter	Wugu Building	Shinkawa Building
Location	Sanchong District, New Taipei City	Wugu District, New Taipei City	Tokyo, Japan
Valuation method	Income approach	Income approach	Income approach
Valuation firm	Panasia	Panasia	Panasia
Valuer	Shao You, Chung	Wei Yuan, Cheng	Shao You, Chung
Evaluation basis date	November 30, 2017 (Note)	November 30, 2017 (Note)	November 30, 2017 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2018 and 2017 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

(c) The rent, occupancy rate and income of past year of the Group's office buildings (including car parks) and comparative rent information of similar properties are as follows:

	Estimated rent ($/3.3m^2/month)	Similar comparative subject in local or market	Occupancy rate	Income of past year
Year ended December 31, 2018				
CEC Headquarter	$521~$1,076	Equivalent to estimated rent	21.45%	$ 23,803
Wugu Building	$291~$713	Equivalent to estimated rent	100.00%	22,040
Shinkawa Building (Note)	$2,173~$6,519	Equivalent to estimated rent	100.00%	118,082
Residential Compound Building	$838~$993	Equivalent to estimated rent	–	-
Year ended December 31, 2017				
CEC Headquarter	$521~$1,000	Equivalent to estimated rent	10.72%	$ 12,845
Wugu Building	$291~$713	Equivalent to estimated rent	25.00%	-
Shinkawa Building	$2,165~$6,496	Equivalent to estimated rent	100.00%	121,194

Note: It was reclassified to non-current assets held for sale at December 26, 2018 as described in Note 6 (11).

(d) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rates and discount rates are as follows:

	December 31, 2018		
	CEC Headquarter	Wugu Building	Residential Compound Building
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	3.05%

	December 31, 2017		
	CEC Headquarter	Wugu Building	Shinkawa Building
Rent growth rate	1.00%	0.50%	1.00%
Discount rate	3.75%	4.05%	4.10%

C. The fair value information about the investment property is provided in Note 12(3).

D. Impairment of investment property: None.

E. Information about the investment property that was reclassified is provided in Notes 6(8) and (11).

F. Information about the investment property that was pledged to others as collateral is provided in Notes 6(16) and 8.

(10) Intangible assets

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2018					
Cost	$ 38,294	$ 251,452	$ 136,612	$ 66,494	$ 492,852
Accumulated amortisation and impairment	(24,004)	(178,468)	-	(40,976)	(243,448)
	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
2018					
Opening net book amount	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
Additions	15,889	46,378	-	-	62,267
Reclassifications	-	148	-	-	148
Amortisation	(13,471)	(58,417)	-	(6,600)	(78,488)
Net exchange differences	-	(245)	341	261	357
Closing net book amount	$ 16,708	$ 60,848	$ 136,953	$ 19,179	$ 233,688
At December 31, 2018					
Cost	$ 54,183	$ 272,703	$ 136,953	$ 67,720	$ 531,559
Accumulated amortisation and impairment	(37,475)	(211,855)	-	(48,541)	(297,871)
	$ 16,708	$ 60,848	$ 136,953	$ 19,179	$ 233,688

	Trademarks and patents	Software	Goodwill	Others	Total
At January 1, 2017					
Cost	$ 24,766	$ 199,885	$ 142,637	$ 68,772	$ 436,060
Accumulated amortisation and impairment	(13,327)	(131,197)	-	(36,393)	(180,917)
	$ 11,439	$ 68,688	$ 142,637	$ 32,379	$ 255,143
2017					
Opening net book amount	$ 11,439	$ 68,688	$ 142,637	$ 32,379	$ 255,143
Additions	15,140	54,912	-	477	70,529
Disposals－cost	(1,612)	(4,561)	-	-	(6,173)
Disposals－accumulated amortisation	1,612	4,561	-	-	6,173
Impairment loss	-	-	(96)	-	(96)
Reclassifications	-	1,282	-	-	1,282
Amortisation	(12,289)	(52,279)	-	(6,438)	(71,006)
Net exchange differences	-	381	(5,929)	(900)	(6,448)
Closing net book amount	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404
At December 31, 2017					
Cost	$ 38,294	$ 251,452	$ 136,612	$ 66,494	$ 492,852
Accumulated amortisation and impairment	(24,004)	(178,468)	-	(40,976)	(243,448)
	$ 14,290	$ 72,984	$ 136,612	$ 25,518	$ 249,404

A. Details of amortisation on intangible assets are as follows:

	For the years ended December 31,	
	2018	2017
Operating costs	$ 4,080	$ 3,749
Selling expenses	3,570	5,460
Administrative expenses	21,302	15,768
Research and development expenses	49,536	46,029
	$ 78,488	$ 71,006

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment as follows:

	December 31, 2018	December 31, 2017
Asia	$ 71,944	$ 73,540
America	65,009	63,072
	$ 136,953	$ 136,612

C. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount is calculated using the value-in-use. The value-in-use is calculated using estimated cash flow before tax in the financial budget approved by management. For the years ended December 31, 2018 and 2017, the Group recognised impairment loss on goodwill amounting to $0 and $96, respectively.

(11) Non-current assets held for sale

On December 26, 2018, the Group determined to sell investment property held by Hikari in line with future business plans under the resolution of Board of Directors. The asset was then reclassified as held for sale. The transaction is expected to be completed in January 2019. Its book value measured at fair value amounting to $1,956,546 on December 31, 2018.

A. Basis at fair value:

The Group's non-current assets held for sale are office building land and buildings. Office buildings are located in Tokyo City. They mainly earn from rental revenue. The assumptions used for the year ended December 31, 2018 are as follows:

(a) Details of the Group's non-current assets held for sale are as follows:

	December 31, 2018
The subject	Shinkawa Building
Location	Tokyo, Japan
Valuation method	Income approach
Valuation firm	Panasia
Valuer	Shao You, Chung
Evaluation basis date	November 30, 2018 (Note)

Note: We obtained effective statements of appraisal report on December 31, 2018 from appraiser.

(b) The Company's office buildings' (including car parks) fair value was evaluated using the discounted cash flow analysis of income approach.

The estimation process of the valuation method involves differentiating between rented and not yet rented. The former is calculated by contract rent and the latter is calculated by market price. It also considers comparative rent information of similar properties to determine annual growth range of rent; includes idle loss, decoration offset loss, and the closing balance of disposal value of that property to calculate future cash inflow, then discounted by an appropriated discount rate accumulated until the valuation date. Future cash outflow which consists of expenses directly related to operations, i.e. land tax, house tax, insurance fee, management fee, maintenance fee, replacement allocation, amortization of agent fee, etc., is estimated based on the actual expenses incurred in the current year, considering the Company's current operating results and changes which may occur in the future.

(c) Rent growth rate is evaluated by considering the lease contract and actual market situation. Discount rate is evaluated by risk premium approach which takes the return rate on investment of the most general goods as standard, adopted the floating interest rate on a 2-year time deposits of a small amount, as posted by the Chunghwa Post Co., Ltd. plus 0.75 percentage points; and explore the liquidity, risk level, value-added level and the ease of management of the subject. The rent growth rate and discount rate are as follows:

	December 31, 2018
	Shinkawa Building
Rent growth rate	1.00%
Discount rate	4.10%

B. The fair value information is provided in Note 12(3).

(12) Other non-current assets

	December 31, 2018		December 31, 2017	
Long-term prepaid rents - land use right	$	443,762	$	309,996
Guarantee deposits paid		100,234		59,929
Prepayments for business facilities		496,259		657,558
Others		345,066		275,656
	$	1,385,321	$	1,303,139

A. In April 2018, the Group signed a land use rights contracts located in Wujiang Development Zone WJ-G-2018-021, Suzhou City with Bureau of Land Resources for use of the land in the municipality of Wujiang District, Suzhou City with a term of 50 years. All rentals have been paid on the contract date.

B. As of December 31, 2018, the Group signed a land use right contract with Bureau of Land Resources for use of the land in municipality of Chongqing, WuJiang City of Jiangsu Province and Dongguan City of Guangdong Province with term of 50 years. All rentals had been paid on the contract date, shown as 'Long-term prepaid rents - Land use right'. The grants received from the local government, as a reward for the local investment, were deducted from the cost of land use right.

C. The Group recognised rental expenses of $10,119 and $8,281 for the years ended December 31, 2018 and 2017, respectively.

D. Information on other non-current assets that were pledged to others as collateral is provided in Note 8.

(13) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank unsecured borrowings	$ 5,643,630	0.45%～1.15%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank unsecured borrowings	$ 4,246,383	0.48%～1.10%	None

A. As of December 31, 2018, the Group had issued promissory notes as guarantee for the short-term loans. Please see Note 9(2).

B. Information about the short-term borrowings that were pledged to others as collateral is provided in Note 8.

(14) Accounts payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 18,078,035	$ 15,867,296
Estimated accounts payable	4,635,725	4,870,271
	$ 22,713,760	$ 20,737,567

(15) Other payables

	December 31, 2018	December 31, 2017
Marketing allowance payable	$ 2,511,915	$ 2,867,882
Salary payable and annual bonus	1,636,551	1,735,476
Employees' dividends and directors' and supervisors' remuneration payable	775,716	947,492
Processing expense payable	668,721	718,931
Miscellaneous purchase payable	653,511	820,265
Construction and equipment expense payable	420,262	385,725
Others	1,641,173	1,650,096
	$ 8,307,849	$ 9,125,867

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Long-term bank borrowings				
DBS Bank	Borrowing period is from December 1, 2017 to November 29, 2019; interest is repayable monthly until maturity of the principal.	0.57%	None	$ 416,956
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable monthly until maturity of the principal.	0.78%	Investment property	1,006,224
Less: Current portion (shown as other current liabilities)				(416,956)
				$ 1,006,224

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Long-term bank borrowings				
E. Sun Bank (Series A)	Borrowing period is from March 20, 2014 to March 20, 2019; borrowing is repayable in installments by own funds or through refinancing at the maturity date of syndicated contract.	1.60%	None	$ 380,000
DBS Bank	Borrowing period is from December 1, 2017 to November 29, 2019; interest is repayable monthly until maturity of the principal.	0.57%	None	396,489
Sumitomo Mitsui Banking Corporation (Secured borrowings)	Borrowing period is from March 13, 2015 to March 12, 2022; interest is repayable monthly until maturity of the principal.	0.78%	Investment property	954,792
TCB Bank	Borrowing period is from December 20, 2017 to April 22, 2018; interest is repayable until maturity of the principal . (Note)	1.797%	None	100,000
				$ 1,831,281

Note: Revolving credit in five years starting from the first drawdown (January, 2016), each credit period is limited to 90 to 180 days.

A. As of December 31, 2018 and 2017, the Company's Chairman had issued promissory notes to guarantee the long-term loans, please see Note 9(2).

B. Information about the long-term borrowings that were pledged to others as collateral is provided in Note 8.

C. In the fourth quarter of 2018, the Company had signed individual credit contracts with E. Sun Commercial Bank, Land Bank of Taiwan and Hua Nan Commercial Bank for long-term operating use. The contract period is five years, and the loan facilities are $2,000,000, $1,000,000 and $1,000,000, respectively. As of December 31, 2018, the Company had not used the loan facility mentioned above. For the loan facility mentioned above, the Company had pledged partial floors of the headquarters building. For the information on pledged assets, please refer to Note 8.

D. A long-term syndicated construction loan facility amounting to $5,000,000 (Series A: $2,000,000 can be financed in batches but credit revolvable; Series B: $3,000,000, credit revolvable; Series C: USD 100,000,000, credit revolvable; the amount drawdown by Series B and Series C cumulatively must be below $3,000,000.). The contract period is five years, and the contract was signed by the Company with E. Sun Commercial Bank as the lead bank in January, 2014. The loan facility will be used for medium-term operations, and repayments will be in accordance with contract requirements. In September 2015, the credit amount of series A was renewed to $1,000,000, resulting in total loan facility amounting to $4,000,000. As of November 2018, the Company had fully paid the borrowings mentioned above in advance, and canceled the loan facility. The main contents of the contract are as follows:

(a) The Company should maintain financial ratios based on annual consolidated financial statements as follows:

i. Current ratio is above 100%,
ii. Financial liabilities divided by net tangible assets is under 200%,
iii. Time interest earned is above 300%, and
iv. Net tangible assets are above $15,000,000,

If the Company does not conform to the contract, the Company should adjust within nine months. If the adjusted financial ratios meet the requirements, there is no breach of contract.

(b) The Company should use the debts for its intended purpose (not for treasury stock, capital expenditures, cash dividends and investments) and prepare the appropriate books and records for cash disbursements for future examination. Lenders do not take responsibility for supervision.

(c) If the Company needs additional operating capital, the Company should issue stocks for cash, borrow from stockholders, or other means. If the borrower obtains capital from stockholders, the Company should get the commitment from stockholders that the creditors' rights are subordinated, and the interest rate should not be over the lowest rate mentioned in the contract.

The borrower should repay the principal, interests, and all the related expenses before repaying the advances made by the borrower's stockholders.

(d) Parts of the credit rights of qualified accounts receivable of the Company should be transferred to the lead bank after the contract date. These qualified accounts receivable plus the balance of the special-purpose bank account should be over 45% of the facility of Series B and Series C as a whole.

As of December 31, 2017, the Company did not violate any of the above requirements.

E. A long-term syndicated loan facility amounting to $4,500,000 (can be drawndown in United States Dollars or New Taiwan Dollars within the total credit facility) for five years was signed by the Company, with Taiwan Cooperative Bank as the lead bank in October 2015. It is to be used for the operations.

The main contents of the contract are as follows:

(a) CP's annual consolidated financial statements should maintain financial ratios as follows:

i. Current ratio is above 100%,
ii. Financial liabilities divided by net tangible assets after subtracting cash and cash equivalents is under 250%,
iii. Time interest earned is above 300%, and
iv. Net tangible assets are above $4,000,000.

The above financial ratios are based on the annual financial statements. If the Company does not conform to the contract, the Company should increase capital by cash or by other means. From the next day of the managing bank's notification until the next interest paid date after the Company conforms to the contract, the lending rates will be increase by 0.125% of the used but unsettled amount of this contract, and it will not be considered a breach of contract. If CP could not adjust the financial ratios by next inspection day (subjected to the consolidated financial statements audited by independent accountants), the borrower is considered to have violated the contract.

(b) CP should maintain appropriate accounts receivable ratio, which means the total of qualified accounts receivable balance and the compensation accounts balance divided by the remainder of undrawn balance should be above 50%. The remainder of undrawn balance is CP's expected drawdown amounts plus the remainder of undrawn amounts. If the ratio cannot be maintained appropriately, CP should choose any of the following actions to make the accounts receivable ratio comply with the contract within seven days after the managing bank's notification:

i. Provide other qualified accounts receivable which was certified by the managing bank, or,
ii. Repay the loan before maturity, or,
iii. Repay or deposit in compensation accounts to maintain appropriate accounts receivable ratio above (or equal to) 50%.

(c) As part of the contract, the commitment fee should be calculated every three months, which begins six months after CP drawdowns the credit for the first time. During the commitment fee calculation period, if the average drawdown amounts are less than 60% of the total loan facility, the commitment fee should be calculated quarterly, using the difference of actual drawdown amounts and 50% of the total loan facility, multiplied by 0.1%, the annual fee rate, and then pay the managing bank every three months.

(17) Pensions

A. Defined benefit plans: Employee contributions

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. 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 contribution to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 394,170)	($ 374,673)
Fair value of plan assets	187,285	174,478
Net defined benefit liability	($ 206,885)	($ 200,195)

(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	($ 348,775)	$ 172,355	($ 176,420)
Current service cost	(3,049)	-	(3,049)
Interest (expense) income	(4,148)	2,073	(2,075)
	(355,972)	174,428	(181,544)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(318)	(318)
Change in demographic assumptions	(12,611)	-	(12,611)
Change in financial assumptions	(471)	-	(471)
Experience adjustments	(9,963)	-	(9,963)
	(23,045)	(318)	(23,363)
Pension fund contribution	-	4,712	4,712
Paid pension	4,344	(4,344)	-
Balance at December 31	($ 374,673)	$ 174,478	($ 200,195)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 374,673)	$ 174,478	($ 200,195)
Current service cost	(2,685)	-	(2,685)
Interest (expense) income	(4,407)	2,048	(2,359)
	(381,765)	176,526	(205,239)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	5,040	5,040
Change in demographic assumptions	(14,581)	-	(14,581)
Change in financial assumptions	(5,869)	-	(5,869)
Experience adjustments	2,157	-	2,157
	(18,293)	5,040	(13,253)
Pension fund contribution	-	11,607	11,607
Paid pension	5,888	(5,888)	-
Balance at December 31	($ 394,170)	$ 187,285	($ 206,885)

(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 utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and

Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 utilisation 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 is less than aforementioned rates, government shall make payment for the deficit after being authorised 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 Utilisation Report announced by the government.

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

	2018	2017
Discount rate	0.900%~1.125%	1.125%~1.400%
Future salary increases	2.500%~3.000%	2.500%~3.000%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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	($ 9,392)	$ 9,747	$ 9,412	($ 9,120)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 8,989)	$ 9,333	$ 9,022	($ 8,736)

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 analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to $10,476.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 9.1~11.3 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	24,371
1-2 year(s)		11,587
2-5 years		82,545
Over 5 years		121,353
	$	239,856

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The overseas subsidiaries of the Company have defined contribution plans.

(c) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $724,282 and $687,523, respectively.

(18) Share-based payment

A. For the years ended December 31, 2018 and 2017, CP's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	August 28, 2015	4,008 thousand shares	2 years	Note
"	March 16, 2016	1,910 thousand shares	"	"
Treasury stock transferred to employees	March 1, 2017	3,555 thousand shares	-	Vested immediately
"	March 6, 2018	746 thousand shares	-	"

Note: Vesting conditions:

i. The Company's overall operating performance in the previous year should meet the following indicators:

(A) Consolidated operating revenue shall grow by at least 10% higher than the average amount over past three years.

(B) Consolidated net income shall grow by at least 10% higher than the average amount over past three years.

(C) Return on equity shall be at least 15%.

ii. For the employees who have met the vesting conditions since the allocation of restricted stocks, the ratio of vested shares is as follows:

Vesting conditions	Ratio of vested shares
A month after the restricted stocks are kept at the trust	40% of the shares
September 30, 2016	30% of the shares
September 30, 2017	30% of the shares

The restricted shares issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method during the vesting period. Other rights including but not limited to dividends, the distribution rights of bonuses and capital surplus, and share options and voting rights of cash capital, etc., are the same as the Company's issued ordinary shares. At the date of resignation, retirement or termination, the restricted shares are considered as not meeting the vesting conditions if employees resign, retire or are terminated during the vesting period. The Company redeems at no consideration and retires the shares which do not meet the vesting condition. Employees are not required to return the dividends received.

B. Details of the share-based payment arrangements are as follows:

	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Stock options granted	746	39.15	3,555	39.83
Options exercised	(746)	39.15	(3,555)	39.83
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

C. For the years ended December 31, 2018 and 2017, the weighted average stock price of options on the exercise date was NT$61.91 and NT$48.98 (in dollars), respectively.

D. CP's fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	March 1, 2017	NTD 49.1	NTD 39.38	(Note)	0.0385	-	0.59%	NTD 9.279
"	March 6, 2018	NTD 61.2	NTD 39.15	"	0.0411	-	0.25%	NTD 22.050

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

E. The restricted stocks issued by CP were measured at their fair value which is the closing price of CP's shares at NT$34 and NT$37.85 (in dollars) on August 28, 2015 and March 16, 2016, respectively.

F. Expenses incurred on share-based payment transactions are shown below:

	2018	2017
Equity-settled	$ 16,077	$ 51,951

(19) Share capital

A. As of December 31, 2018, the Company's authorised capital was $8,000,000, and the paid-in capital was $7,303,799 with a par value of $10 (in dollars) per share, and the outstanding common stock was 800 million shares.

Movements in the number of the Company's ordinary shares outstanding are as follows (shares in thousands.):

	2018 (Note)	2017 (Note)
At January 1	680,642	672,304
Common stock dividends	3,620	3,571
Employee share compensation	6,155	4,952
Repurchased shares as treasury stock	(3,591)	-
Subsidiary received stock dividend from parent company	(186)	(185)
At December 31	686,640	680,642

B. On September 13, 2018, the Company's Board of Directors during its meeting resolved to purchase treasury shares with the ceiling of 10 million shares to be reissued to employees. As of November 13, 2018 (the expiration of the execution period), the Company has purchased 3,591 thousand treasury shares.

C. The stockholders during their meeting held on June 5, 2018 had approved to issue common stock dividends amounting to $36,199. A total of 3,620 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 25, 2018, and the Company had completed the related registration on August 8, 2018.

D. On March 9, 2018, the Company's Board of Directors approved the employees' stock bonus amounting to $453,000 at the previous closing price of $73.6 (in dollars) before the day of the Board of Directors' meeting, issuing 6,155 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 3, 2018, and the Company had completed the related registration on April 23, 2018.

E. The stockholders during their meeting held on June 7, 2017 had approved to issue common stock dividends amounting to $35,712. A total of 3,571 thousand shares had been issued and, the Company has obtained a letter of approval from the appropriate authorities. The issue date was set on July 18, 2017, and the Company had completed the related registration on August 4, 2017.

F. On March 10, 2017, the Company's Board of Directors approved the employees' stock bonus amounting to $360,000 at the previous closing price of $72.7 (in dollars) before the day of the Board of Directors' meeting, issuing 4,952 thousand shares. The Company has obtained a letter of approval from the appropriate authorities. The issue date was set on April 7, 2017, and the Company had completed the related registration on April 28, 2017.

G. Treasury stock

(a) Reason for stocks reacquisition and movements in the number of the Company's treasury stocks are as follows:

		December 31, 2018		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	6,377	$ 417,307	$ 62.60
UNIKEY	For investment	21,174	205,795	62.60
HEC	For investment	16,189	105,482	62.60
		43,740	$ 728,584	

		December 31, 2017		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount	Fair value (in dollars) (per share)
The Company	To be reissued to employees	2,786	$ 205,888	$ 75.00
UNIKEY	For investment	21,069	205,795	75.00
HEC	For investment	16,108	105,482	75.00
		39,963	$ 517,165	

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of stocks bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding stocks and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks 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 Law, treasury stocks 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.

(20) 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 Law 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.

A summary of the Company's capital surplus as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 3,288,686	$ 2,897,235
Treasury share transactions	1,283,533	1,118,094
Difference between consideration and carrying amount of subsidiaries acquired or disposed	533,586	668,276
Changes in ownership interests in subsidiaries	526,957	453,052
Others	1,171	3
	$ 5,633,933	$ 5,136,660

(21) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, if any; and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance and as special reserve in accordance to relevant regulations when necessary; and the remainder, if any, to be appropriated shall be presented by the Board of Directors and resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: the Company is in the development of electronics industry, the dividend policy should be formulated by achieving both targets that supply the new products capital requirement and increase the return on shareholders' investment. Therefore, the total dividend each year cannot be above of the total distributable earnings, and the cash dividend cannot be less than 90% of the total dividend paid. The ratio is restricted until the total distributable common stock dividends reach $0.5 per share.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. The Company elected to reclassify the unrealised revaluation increment and cumulative translation adjustment to unappropriated earnings and accrue special reserve by $433,524 on initial application of IFRSs.

E. The appropriations of 2017 and 2016 earnings had been resolved at the shareholders' meeting on June 5, 2018 and June 7, 2017, respectively, and the details are summarised below:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 402,153		$ 353,107	
Special reserve (reversal)	1,427,780		(517,964)	
Stock dividends	36,199	$ 0.05	35,712	$ 0.05
Cash dividends	3,221,684	4.45	3,035,553	4.25

F. Subsequent events: The appropriation of 2018 earnings had been proposed at the Board of Directors' meeting on March 7, 2019. However, the appropriation of earnings for 2018 has not yet been resolved by the shareholders' in 2019. Details are summarised below:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 359,071	
Special reserve	1,244,101	
Cash dividends	2,766,858	$ 3.80

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(22) Other equity items

	2018				
	Currency translation	Available-for-sale investment	Unrealised gains (losses) on valuation	Revaluaion increment	Total
At January 1	($ 1,009,474)	($ 2,203,492)	$ -	$ 1,388,279	($ 1,824,687)
Effect of retrospective application and restatement	-	2,203,492	(3,108,883)	-	(905,391)
At January 1 after adjustments	(1,009,474)	-	(3,108,883)	1,388,279	(2,730,078)
Revaluation					
– Group	-	-	(395,629)	155,281	(240,348)
– Tax on Group	-	-	-	(161,893)	(161,893)
– Transfer	-	-	43,632	-	43,632
Currency translation differences:					
– Group	22,123	-	-	-	22,123
– Associates	1,537	-	-	-	1,537
At December 31	($ 985,814)	$ -	($ 3,460,880)	$ 1,381,667	($ 3,065,027)

	2017			
	Currency translation	Available-for-sale investment	Revaluaion increment	Total
At January 1	$ 55,011	($ 1,379,630)	$ 1,388,279	$ 63,660
Revaluation				
– Group	-	(406,721)	-	(406,721)
– Transfer	-	(417,141)	-	(417,141)
Currency translation differences:				
– Group	(1,060,518)	-	-	(1,060,518)
– Associates	(3,984)	-	-	(3,984)
– Transfer	17	-	-	17
At December 31	($ 1,009,474)	($ 2,203,492)	$ 1,388,279	($ 1,824,687)

(23) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	
Electronic component products	$ 41,909,929
Consumer electronic products and other electronic products	44,571,425
Others	779,052
	$ 87,260,406

A. Contract liability balance at the beginning of 2018 was all included in the operating revenue.

B. Information on operating revenue for 2017 is provided in Note 12(5) B.

(24) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Rental revenue	$ 164,363	$ 134,409
Interest income	50,882	38,665
Dividend income	231,228	186,211
Others	353,144	421,374
	$ 799,617	$ 780,659

(25) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net gain (loss) on financial assets and liabilities at fair value through profit or loss -derivative instruments	$ 449,292	($ 949,378)
Net loss on financial assets and liabilities at fair value through profit or loss -others	(530,390)	-
Gain on doubtful debt recoveries	-	7,620
Net currency exchange (loss) gain	(61,534)	481,992
(Loss) gains on disposal of property, plant and equipment	(15,161)	30,484
Gain on disposal of investments	-	654,696
Gain on disposal of investments accounted for using equity method	-	776,362
Impairment on non-financial assets	-	(96)
Gain on fair value adjustment of investment property	31,930	51,789
Others	(129,282)	(83,731)
	($ 255,145)	$ 969,738

(26) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Interest expense of bank borrowings	$ 159,244	$ 120,586
Less: Capitalisation of qualifying assets	(16,209)	(15,886)
	$ 143,035	$ 104,700

(27) Expenses by nature

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Employee benefit expense	$ 7,474,691	$ 3,812,901	$ 11,287,592
Depreciation on property, plant and equipment	1,741,026	302,486	2,043,512
Amortisation on intangible assets	4,080	74,408	78,488
Other non-current assets transferred to expense	32,849	24,990	57,839
Long-term lease amortisation	-	10,119	10,119

	Year ended December 31, 2017		
	Cost of revenue	Operating expense	Total
Employee benefit expense	$ 7,202,030	$ 3,772,475	$ 10,974,505
Depreciation on property, plant and equipment	1,664,476	305,412	1,969,888
Amortisation on intangible assets	3,749	67,257	71,006
Other non-current assets transferred to expense	33,574	23,321	56,895
Long-term lease amortisation	-	8,281	8,281

(28) Employee benefit expense

	Year ended December 31, 2018		
	Cost of revenue	Operating expense	Total
Wages and salaries	$ 6,276,348	$ 3,378,625	$ 9,654,973
Labor and health insurance fees	78,088	148,825	226,913
Pension costs	575,269	154,056	729,325
Other personnel expenses	544,986	131,395	676,381
	$ 7,474,691	$ 3,812,901	$ 11,287,592

	Year ended December 31, 2017		
	Cost of revenue	Operating expense	Total
Wages and salaries	$ 6,202,737	$ 3,358,093	$ 9,560,830
Labor and health insurance fees	70,970	150,699	221,669
Pension costs	550,816	141,831	692,647
Other personnel expenses	377,507	121,852	499,359
	$ 7,202,030	$ 3,772,475	$ 10,974,505

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors’ and supervisors’ remuneration. The ratio shall not be lower than 11% for employees’ compensation and shall not be higher than 1% for directors’ and supervisors’ remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $503,034 and $607,048, respectively; directors' and supervisors' remuneration was accrued at $31,252 and $37,714, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 11.77% and 0.73% of distributable profit of current year for the year ended December 31, 2018, respectively. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $503,034 and $31,252, respectively, and the employees' compensation will be distributed in the form of cash and shares.

Employees' compensation of $607,048 and directors' and supervisors' remuneration of $37,714 for 2017 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. For the year ended December 31, 2017, 6,155 thousand shares of stock were issued as employee compensation, and the number of shares were calculated based on the closing price of $73.6 (in dollars) on the day before the Board of Directors' meeting.

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.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 1,163,272	$ 1,073,132
Tax on undistributed surplus earnings	-	61,966
Prior year income tax under estimation	(75,427)	(11,862)
Total current tax	1,087,845	1,123,236
Deferred tax:		
Origination and reversal of temporary differences	(20,125)	94,567
Impact of change on tax rate	(11,157)	-
Total deferred tax	(31,282)	94,567
Income tax expense	$ 1,056,563	$ 1,217,803

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

	Years ended December 31, 2018	Years ended December 31, 2017
Land value increment tax from revaluation	$ 150,136	$ -
Impact of change on tax rate	11,757	-
	$ 161,893	$ -

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 1,070,893	$ 1,323,989
Effect from items adjusted in accordance with tax regulation	61,097	(156,290)
Prior year income tax overestimation	(75,427)	(11,862)
Undistributed earnings	-	61,966
Income tax expense	$ 1,056,563	$ 1,217,803

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Provision for inventory price decline	$ 17,987	$ 6,754	$ -	$ 24,741
Allowance for doubtful accounts in excess of tax limit	76	(76)	-	-
Unrealised accrued expenses	66,357	(44,658)	-	21,699
Unrealised compensation revenue	45,088	(2,148)	-	42,940
Impairment loss	565	(565)	-	-
Fair value adjustment of investment property	22,500	(22,500)	-	-
Others	9,723	(1,145)	-	8,578
	$ 162,296	($ 64,338)	$ -	$ 97,958

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 122,899)	($ 68)	($ 161,893)	($ 284,860)
Unrealised exchange gain	(104,967)	94,964	-	(10,003)
Temporary differences of fixed assets for tax and financial purposes	(2,943)	702	-	(2,241)
Others	(472)	22	-	(450)
	($ 231,281)	$ 95,620	($ 161,893)	($ 297,554)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Provision for inventory price decline	$ 22,904	(4,917)	-	$ 17,987
Allowance for doubtful accounts in excess of tax limit	373	(297)	-	76
Unrealised accrued expenses	63,506	2,851	-	66,357
Unrealised compensation revenue	46,785	(1,697)	-	45,088
Impairment loss	565	-	-	565
Fair value adjustment of investment property	23,518	(1,018)	-	22,500
Others	1,736	7,987	-	9,723
	$ 159,387	$ 2,909	$ -	$ 162,296
—Deferred tax liabilities:				
Fair value adjustment of investment property	($ 106,529)	(16,370)	$ -	($ 122,899)
Reserve for land revaluation increment tax	(11,416)	(93,551)	-	(104,967)
Long-term investment gain	(12,205)	12,205	-	-
Temporary differences of fixed assets for tax and financial purposes	(3,183)	240	-	(2,943)
	($ 133,333)	($ 97,476)	$ -	($ 230,809)

D. Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets of domestic subsidiaries are as follows:

December 31, 2018

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2010	$ 13,233	$ 13,233	$ 13,233	2020
2011	12,688	12,688	12,688	2021
2012	10,162	10,162	10,162	2022
2013	8,559	8,559	8,559	2023
2014	7,873	7,873	7,873	2024
2015	14,500	14,500	14,500	2025
2016	7,867	7,867	7,867	2026
2017	1,188	1,188	1,188	2026

December 31, 2017

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2010	$ 13,233	$ 13,233	$ 13,233	2020
2011	12,688	12,688	12,688	2021
2012	10,162	10,162	10,162	2022
2013	8,559	8,559	8,559	2023
2014	7,873	7,873	7,873	2024
2015	14,500	14,500	14,500	2025
2016	7,867	7,867	7,867	2026

E. As of December 31, 2018 and 2017, the amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 286,237	$ 175,856

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 on February 7, 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.

(30) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,590,711	688,299	$ 5.22
Diluted earnings per share			
Employees' bonus	-	9,164	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,590,711	697,463	$ 5.15

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 4,021,529	683,152	$ 5.89
Diluted earnings per share			
Employees' bonus	-	9,017	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 4,021,529	692,169	$ 5.81

The above weighted-average outstanding shares of common stock have been adjusted according to the earnings distribution approved by the Board of Directors and stockholders.

(31) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 2,249,093	$ 2,018,160
Add: Opening balance of payable on equipment	385,725	732,154
Less: Ending balance of payable on equipment	(420,262)	(385,725)
Cash paid during the year	$ 2,214,556	$ 2,364,589

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Newmax Technology Co., Ltd.	Other related party (Note)
Clevo Co.	Other related party
Hongwell	Other related party
Chicony Square	Other related party
Kapok Computer (Kunshan) Co., Ltd.	Other related party
Buynow Group (includinig Loyang, Anshan, Quanzhou, Zhengzhou, etc)	Other related party
Far win (Kunshan) Co., Ltd.	Other related party
Far win (Dong guan) Co., Ltd.	Other related party
ShunOn Electronic Co.	Other related party
Jiaxing Chunxiang Electronic Technology Co., Ltd.	Other related party
Chongqing Chunxiang Electronic Technology Co., Ltd.	Other related party
Jim Yu Plastic Electronic (Wujiang) Co., Ltd.	Other related party
Cheung Shun (Wujiang) Plastic Processing Technology Co., Ltd.	Other related party

Note：Newmax was an associate company before October 30, 2017, but the Group lost significant control over this company from October 31, 2017, please refer to Note 6(7).

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2018	2017
Sales of goods:		
Other related parties	$ 844,038	$ 775,412

The terms of the sales to related parties were the same as those to third parties, with reasonable discounts. In general, the collection periods ranged from 60 to 90 days.

B. Purchases:

	Years ended December 31,	
	2018	2017
Purchases of goods:		
Associates	$ -	$ 247,189
Other related parties	1,688,955	1,412,989
	$ 1,688,955	$ 1,660,178

The terms of the purchases from related parties were the same as those to third parties.

C. Receivables from related parties:

	December 31, 2018	December 31, 2017
Accounts receivable:		
Other related parties	$ 314,182	$ 325,997

The receivables from related parties arise mainly from sale transactions. The credit term is limited from 60 to 90 days after the date of transaction. The receivables are unsecured in nature and bear no interest. There was no allowance for doubtful accounts pertaining to accounts receivable from related parties.

D. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
Other related parties	$ 300,503	$ 482,419

The payables from related parties arise mainly from purchase transactions. The credit term is limited from 60 to 90 days after the date of transaction. The payables are unsecured in nature and bear no interest.

E. Property transactions－acquisition of property, plant and equipment

For the year ended December 31, 2018: None.

	December 31, 2018	December 31, 2017
Other related parties	$ 243	$ -

F. Dividend income:

	December 31, 2018	December 31, 2017
Other related parties	$ 54,577	$ 52,393

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 307,333	$ 402,017
Termination benefits	2,691	2,598
	$ 310,024	$ 404,615

8. PLEDGED ASSETS

(1) The Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (shown as other current assets)	$ -	$ 28,338	Guarantee for taxes and social insurance and bank borrowings
Refundable deposits (shown as other non-current assets)	100,234	59,929	Deposits and guarantee for plant and operating leases
Property, plant and equipment	1,214,224	-	Long-term borrowings
Investment property (Note)	5,029,563	1,814,105	Long-term borrowings
	$ 6,344,021	$ 1,902,372	

Note: On December 26, 2018, it was reclassified as non-current assets classified as held for sale, net.

(2) As of December 31, 2018 and 2017, UNIKEY and HEC have pledged the Company's common stock (shown as "treasury stock") amounting to 8,500,000 and 12,600,000 shares, respectively, as pledge for loans.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2018, the Group had unused letters of credit for purchases of raw materials amounting to approximately $16,182.

(2) As of December 31, 2018, for bank loans, financing forward exchange contracts, bill purchased and accounts receivable factoring purposes, the Group provided standby promissory notes totaling $45,032,338 as security.

(3) On December 27, 2018, the subsidiaries Chicony Power Technology (Suzhou) Co., Ltd. and Suzhou Weiye Group Co., Ltd., signed a construction contract amounting to RMB 247,825 thousand dollars (NT$1,103,069) and the subcontract work will follow the construction schedule. As of December 31, 2018, capital expenditures for the contract but not yet incurred amounted to RMB 247,825 thousand dollars (NT$1,103,069).

(4) Apart from the above section (3), the amounts of unpaid payment for construction in progress and acquisition of machinery and equipment are as follows:

December 31, 2018	December 31, 2017
$ 685,353	$ 898,655

(5) Mao-Ray and Dong Guan Had Eri Iou Plastic Corporation have aggregate minimum commitments under the agreements with local government for the lease of land from 2006 to 2026. The related leasing and management fee each year is RMB 680 thousand.

(6) The Group's leasing commitments are summarised below:

	December 31, 2018	December 31, 2017
No later than one year	$ 126,020	$ 80,356
Later than one year but no later than five years	308,242	198,161
Later than five years	133,788	129,651
	$ 568,050	$ 408,168

(7) The subsidiary, Hikari, accrued JPY 9.5 billion for selling the Shinkawa Building in Tokyo to Kyushu Railway Company under the agreement as resolved by Board of Directors on December 26, 2018. The investment property was valued around JPY 7.02－7.06 billion.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please see Notes 6(21) and 6(28) for the details on appropriation of the 2018 earnings.

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.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets mandatorily measured at fair value through profit or loss - current	$ 4,316,587	$ 412,311
Financial assets at fair value through other comprehensive income - current	2,920,108	-
Available-for-sale financial assets - current	-	6,734,294
Financial assets mandatorily measured at fair value through profit or loss - non-current	1,993,760	-
Financial assets at fair value through other comprehensive income - non-current	858,124	-
Available-for-sale financial assets - non-current	-	883,509
Financial assets at cost - non-current	-	2,266,656
Financial assets at amortised cost		
Cash and cash equivalents	1,952,439	2,679,941
Notes receivable	360,995	842,816
Accounts receivable (including related parties)	17,929,998	18,386,473
Other receivables	314,508	503,149
Guarantee deposits paid	100,234	59,929
Other financial assets	-	28,338
	$ 30,746,753	$ 32,797,416
Financial liabilities		
Financial liabilities at fair value through profit or loss - current	$ 70,777	$ 488,548
Financial liabilities at amortised cost		
Short-term borrowings	5,643,630	4,246,383
Notes payable	1,720	2,187
Accounts payable (including related parties)	23,014,263	21,219,986
Other accounts payable	8,307,849	9,125,867
Long-term borrowings (including current portion)	1,423,180	1,831,281
	$ 38,461,419	$ 36,914,252

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange contracts and foreign exchange swap contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges exchange rate risk by foreign exchange rate and foreign exchange swap rate. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iv. 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, RMB and HKD). 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			Year ended December 31, 2018		
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 419,030	30.7150	$ 12,870,506	1%	$ 128,705	$ -
USD:RMB (Note)	USD 1,031,996	6.8668	31,697,757	1%	316,978	-
Financial liabilities						
Monetary items						
USD:NTD	USD 965,727	30.7150	$ 29,662,305	1%	$ 296,623	$ -
USD:RMB (Note)	USD 812,912	6.8668	24,968,592	1%	249,686	-
JPY:USD (Note)	JPY 3,930,437	0.0091	1,098,583	1%	10,986	-

	December 31, 2017			Year ended December 31, 2017		
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	USD 479,840	29.8000	$ 14,299,232	1%	$ 142,992	$ -
USD:RMB (Note)	USD 923,417	6.5179	27,517,827	1%	275,178	-
Financial liabilities						
Monetary items						
USD:NTD	USD 912,819	29.8000	$ 27,202,006	1%	$ 272,020	$ -
USD:RMB (Note)	USD 670,628	6.5179	19,984,714	1%	199,847	-
JPY:USD (Note)	JPY 3,922,439	0.0089	1,040,309	1%	10,403	-

Note: The functional currencies of certain subsidiaries belonging to the Group are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Total exchange gain, including realised and unrealised 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 ($61,534) and $481,992, respectively.

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, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $56,416 and $0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $37,782 and $73,059, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, USD and JPY.

At December 31, 2018 and 2017, if market interest rates had been 0.25% higher with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have been $4,084 and $5,317 higher, respectively.

(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 amortised cost and at fair value through profit or loss.

ii. According to the Group's internal management policy, the Group only trades with the good credit bank. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.

v. According to the Group's internal management policy, the default occurs when the contract payments are past due over 360 days.

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and rents receivable. On December 31, 2018, the provision matrix is as follows:

	Expected loss rate	Total book value	Loss allowance
December 31, 2018			
Not past due	0%~0.6%	$ 17,003,966	$ 24,132
1-30 days past due	2%~18%	334,648	9,077
31-120 days past due	3%~30%	441,145	139,088
121-125 days past due	20%~30%	11,453	3,099
Over 360 days past due	100%	53,228	53,228
		$ 17,844,440	$ 228,624

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018	
	Accounts receivable	
At January 1_IAS 39	$	101,554
Adjustments under new standards		-
At January 1_IFRS 9		101,554
Provision for impairment		148,756
Effect of foreign exchange	(	21,686)
At December 31	$	228,624

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above mentioned forecasts. As at December 31, 2018 and 2017, the Group held money market position of $8,809,544 and $9,375,269, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2018		December 31, 2017	
Floating rate:				
Expiring within one year	$	19,294,552	$	19,022,008
Expiring beyond one year		8,500,000		8,152,610
	$	27,794,552	$	27,174,618

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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018

Non-derivative financial liabilities	Less than 1 year	Over 1 year
Short-term borrowings	$ 5,648,775	$ -
Notes payable	1,720	-
Accounts payable (including related parties)	23,014,263	-
Other payables (including related parties)	8,307,849	-
Long-term borrowings (including current portion)	419,124	1,031,220
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	$ 70,777	$ -

December 31, 2017

Non-derivative financial liabilities	Less than 1 year	Over 1 year
Short-term borrowings	$ 4,249,273	$ -
Notes payable	2,187	-
Accounts payable (including related parties)	21,219,986	-
Other payables (including related parties)	9,125,867	-
Long-term borrowings (including current portion)	13,521	1,856,888
Derivative financial liabilities:		
Financial liabilities at fair value through profit or loss	$ 488,548	$ -

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in listed stocks (including emerging stocks), beneficiary certificates and convertible bonds, is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group’s investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in certain derivative instruments and investment property is included in Level 3.

B. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), short-term borrowings, accounts payable and other payables (including related parties) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets mandatorily measured at fair value through profit or loss - current				
Equity securities	$ 3,064,273	$ -	$ -	$ 3,064,273
Debt securities	318,468	-	-	318,468
Beneficiary certificates	583,594	-	-	583,594
Non-hedging derivatives				
Forward exchange contracts	-	350,252	-	350,252
Financial assets mandatorily measured at fair value through profit or loss - non-current				
Equity securities	-	-	638,727	638,727
Beneficiary certificates	597,331	-	757,702	1,355,033
Financial assets at fair value through other comprehensive income - current				
Equity securities	2,920,108	-	-	2,920,108
Financial assets at fair value through other comprehensive income - non-current				
Equity securities	-	30,813	827,311	858,124
Investment property (Note)	-	-	5,537,730	5,537,730
Non-recurring fair value measurements				
Non-current assets held for sale (Note)	-	-	1,956,546	1,956,546
	$ 7,483,774	$ 381,065	$ 9,718,016	$ 17,582,855

December 31, 2018	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss - current				
Non-hedging derivatives				
Forward exchange contracts	$ -	$ 68,161	$ -	$ 68,161
Exchange rate swaps	-	2,616	-	2,616
	$ -	$ 70,777	$ -	$ 70,777

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 411,117	$ -	$ 411,117
Exchange rate swaps	-	1,194	-	1,194
Available-for-sale financial assets				
Equity securities	6,352,195	64,592	-	6,416,787
Debt securities	311,924	-	-	311,924
Beneficiary certificates	889,092	-	-	889,092
Investment property (Note)	-	-	5,517,981	5,517,981
	$ 7,553,211	$ 476,903	$ 5,517,981	$ 13,548,095
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 486,793	$ -	$ 486,793
Exchange rate swaps	-	1,755	-	1,755
	$ -	$ 488,548	$ -	$ 488,548

Note : Investment property measured at fair value.

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

	Listed shares	Emerging stock	Open-end fund	Convertible bond
Market quoted price	Closing price	Average trades price	Net asset value	Closing

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	2018		
	Beneficiary certificates	Equity instruments	Total
At January 1	$ 626,028	$ 1,586,751	$ 2,212,779
Acquired in the period	79,141	30,182	109,323
Sold in the period	-	(106,697)	(106,697)
Gains and losses recognised in profit or loss	40,160	(20,369)	19,791
Gains and losses recognised in other comprehensive income	-	(43,809)	(43,809)
Effect of exchange rate changes	12,373	19,980	32,353
At December 31	$ 757,702	$ 1,466,038	$ 2,223,740
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2018 (Recorded as non-operating income and expense)	$ 40,160	($ 20,369)	$ 19,791

Information about the movements of the investment property in Level 3 is provided in Notes 6(9).

F. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 224,870	Market approach	Discount for lack of marketability	-	The higher the discount for lack of marketability, the lower the fair value
"	1,241,168	Net asset value	N/A	-	N/A
Venture capital shares Private equity fund investment	757,702	Net asset value	N/A	-	N/A
Investment property	5,537,730	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value
Non-current assets held for sale	1,956,546	Income approach	Revenue growth rate, Discount rate	-	The higher the revenue growth rate, the higher the fair value; the higher the discount rate, the lower the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Market approach、Net asset value	± 1%	$ 6,387	($ 6,387)	$ 8,273	($ 8,273)
Beneficiary certificates	Net asset value	± 1%	7,577	(7,577)	-	-
			$ 13,964	($ 13,964)	$ 8,273	($ 8,273)

(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) inancial assets at fair value through profit or loss

i. Financial assets at fair value through profit or loss are financial assets held for trading or 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 categorised as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

i. Available-for-sale financial assets 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 recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) 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 recognised at fair value and subsequently measured at amortised 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.

(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 events 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 an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) 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 reorganisation;

(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:

(i) financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(iii) 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 amortisation) and current fair value, less any impairment loss on that financial asset previously recognised 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 recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. For the year ended December 31, 2017, the information on critical judgements in applying the Group's accounting policies is as follows:

Financial assets - impairment of equity investment

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired financial assets measured at cost in profit or loss.

C. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for-sale -current		Available-for-sale-non-current			Effects		
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income -current	Measured at fair value through profit or loss-non-current	Measured at fair value through other comprehensive income-non-current	Measured at cost	Total	Retained earnings	Others equity	Non-controlling interest
IAS 39	$ 412,311	$ 6,734,294	$ -	$ 883,509	$ 2,266,656	$ 10,296,770	$ -	$ -	$ -
Transferred into and measured at fair value through profit or loss	3,352,971	(3,352,971)	2,178,876	(818,917)	(1,317,247)	42,712	(239,786)	290,830	(8,332)
Transferred into and measured at fair value through other comprehensive income	-	-	-	852,819	(949,409)	(96,590)	-	(96,232)	(358)
Impairment loss adjustment	-	-	-	-	-	-	1,099,989	(1,099,989)	-
IFRS 9	$ 3,765,282	$ 3,381,323	$ 2,178,876	$ 917,411	$ -	$ 10,242,892	$ 860,203	($ 905,391)	($ 8,690)

(a) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost – non-current in the amounts of $3,381,323, $64,592 and $949,409, respectively, and made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income – current, financial assets at fair value through other comprehensive income – non-current, decreasing other equity interest and non-controlling interest in the amounts of $3,381,323, $917,411, $96,232 and $358, respectively.

(b) In accordance with IFRS 9, the Group reclassified available-for-sale financial assets – current, available-for-sale financial assets – non-current and financial assets carried at cost in the amounts of $3,352,971, $818,917 and $1,317,247, respectively, by increasing financial assets at fair value through profit or loss - current, financial assets at fair value through profit or loss - non-current, decreasing retained earnings, increasing other equity interest and decreasing non-controlling interest in the amounts of $3,352,971, $2,178,876, $239,786, $290,830 and $8,332, respectively.

(c) In accordance with IFRS 9, the Group transferred impairment loss on available-for-sale financial assets recognised under IAS 39 into other equity interest by decreasing other equity interest and increasing retained earnings in the amounts of $1,099,989 and $1,099,989, respectively.

D. The reconcilation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Available-for-sale - current	Available-for-sale - non-current	
	Measured at fair value through other comprehensive income – current	Measured at fair value through other comprehensive income – non-current	Total
IAS 39	$ 81,264	$ 1,018,725	$ 1,099,989
Impairment loss adjustment	(81,264)	(1,018,725)	(1,099,989)
IFRS 9	$ -	$ -	$ -

E. The significant accounts as of December 31, 2017 are as follows:

(a) Financial assets and liabilities at fair value through profit or loss

Current Items		December 31, 2017
Financial assets held for trading		
Non-hedging derivatives		
Forward foreign exchange contracts	$	411,117
Exchange rate swaps		1,194
	$	412,311
Financial liabilities held for trading		
Non-hedging derivatives		
Forward foreign exchange contracts	$	486,793
Exchange rate swaps		1,755
	$	488,548

i. The Group recognised net loss of ($949,378) on financial assets held for trading for the year ended December 31, 2017.

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

	December 31, 2017		
Derivative instruments	Contract amount (Notional Principal) (In thousands)		Due Date
Forward foreign exchange contracts			
—SELL NTD/BUY USD	USD	385,000	2018.1.4~2018.10.16
—SELL RMB/BUY USD	USD	50,025	2018.1.31~2018.7.31
—SELL USD/BUY RMB	USD	315,180	2018.1.3~2018.12.4
Exchange rate swaps			
—SELL NTD/BUY USD	USD	34,700	2018.1.3~2018.12.27

(i) Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to buy (sell) various forward foreign currencies and these contracts are not accounted for under hedge accounting.

(ii) Exchange rate swaps

The Group entered into exchange rate swap contracts with financial institutions to hedge exchange rate risk of import and export proceeds. However, these exchange rate swap contracts are not accounted for under hedge accounting.

(iii) Futures

The Group entered into futures contracts, which are stock index futures, to earn the spread. As of December 31, 2017, margin deposits for these contracts were $48,787.

The Group entered into metal futures and swap contract with financial institutions to hedge raise raw material price. However, these futures contracts are not accounted for under hedge accounting.

iii. Due to the financial meltdown in 2008, listed stocks amounting to $1,180,881 that were initially classified as 'financial assets at fair value through profit or loss' were reclassified to 'available-for-sale financial assets' on July 24, 2008 in accordance with paragraph 50(c) of IAS 39. The relevant information is set forth below:

(i) The balance of the above mentioned reclassified assets as of December 31, 2017 is as follows:

	December 31, 2017 Book value/fair value
Listed stocks	$ 182,318

(ii) The relevant information in fair value change of the reclassified financial assets is as follows:

	Years ended December 31, 2017 Income recognised in comprehensive income
Listed stocks	$ 7,544

The accumulated total changes in fair value of the above that were recognised in other comprehensive income before January 1, 2016 amounted to $131,612.

(iii) If the above financial assets were not classified to 'available-for-sale financial assets' on July 24, 2008, the Group would have recognised net gain (loss) as follows:

	Years ended December 31, 2017
Listed stocks	$ 7,544

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

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 9,441,226
Emerging stocks	114,029
Convertible bonds	313,691
Beneficiary certificates	76,344
Subtotal	9,945,290
Valuation adjustment	(3,076,098)
Accumulated impairment	(134,898)
Total	$ 6,734,294
Non-current items:	
Listed stocks	$ 1,281,850
Beneficiary certificates	472,340
Subtotal	1,754,190
Valuation adjustment	359,594
Accumulated impairment	(1,230,275)
Total	$ 883,509

i. The above listed stocks of available-for-sale financial assets – non-current were private placements that could not be sold during the private lock-up period in accordance with the R.O.C. Securities Exchange Law. These private placements are remeasured and stated at value adjusted by the same item’s fair value in active markets considering the effect of restriction. The publicly listed company filed for a retroactive handling of public issuance procedures for its privately placed equity securities in April 2017. Therefore the rights and obligations associated with these private placement equity securities are virtually the same as that of the publicly traded shares. As a result, $187,500 of these equity securities are reclassified from available-for-sale financial assets-noncurrent to available-for-sale financial assets-current.

ii. Some of the Group’s emerging stock has quoted market price in an active market, it was reclassified from financial assets measured at cost to available-for-sale financial assets emerging stock.

iii. The Group recognised ($608,973) in other comprehensive loss for fair value change and reclassified ($656,026) from equity to profit or loss for the year ended December 31, 2017.

iv. The Group assessed the impaired objective evidence of some of the above mentioned shares. On December 31, 2017, the Group therefore recognised impairment loss of $1,365,173.

v. The counterparties of debt instrument investments the Group invests in have good credit quality.

vi. The Group recognised no interest income for the convertible bonds for the year ended December 31, 2017.

vii. As of December 31, 2017, no available-for-sale financial assets owned by the Group were pledged to others.

(c) Financial assets measured at cost

Items		December 31, 2017
Non-current items:		
Unlisted stocks	$	1,662,504
Beneficiary certificates		677,947
Less: Accumulated impairment	(	73,795)
Total	$	2,266,656

i. Based on the Group's intention, its investment in stocks and beneficiary certificates above should be classified as available-for-sale financial assets. However, the stocks above are not traded in active market, and no sufficient industry information of companies similar to them is available. Thus, the fair value of the investment in the stocks above cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. Information about the financial assets measured at cost reclassified to available-for-sale financial assets is provided in Note 12(4)b.

iii. Based on the objective information that LumenMax Corporation was reorganized due to financial difficulty, the Group assessed and recognised impairment loss of $73,795 on equity investments –LumenMax Corporation for the year ended December 31, 2017.

iv. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

F. 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(a) For the year ended December 31, 2017, no credit risk was found during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(b) The credit quality information of the Group's accounts receivable (including related parties) that are neither past due nor impaired is as follow:

		December 31, 2017
Group 1	$	9,321,660
Group 2		8,598,068
	$	17,919,728

Group 1: Low-risk customers which have larger scale of operations.

Group 2: Other normal-risk customers.

(c) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

		December 31, 2017
Up to 30 days	$	299,318
31 to 120 days		164,320
121 to 215 days		3,107
	$	466,745

(d) The analysis of the Group's accounts receivable that were impaired is as follows:

Individual provision		December 31, 2017
At January 1	$	109,836
Reversal of impairment	(	7,620)
Effects of foreign exchange	(	662)
At December 31	$	101,554

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

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

i. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion 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.

ii. According to the contracts with customers, 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.

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

(b) Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017	
Sales revenue	$	78,054,458
Other operating revenue		101,228
	$	78,155,686

C. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities-current	Note1	$ 166,989	$ -	$ 166,989
Other current liabilities	Note1	-	166,989	(166,989)

Note 1: In accordance with IFRS 15, the Group recognises contract liabilities in relation to contracts of sales of goods which were previously presented as advance receipts in the balance sheet.

Note 2: The accounting treatment under the standard has no effect on revenue and profit in the current period.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 13(1).

14. SEGMENT INFORMATION

(1) General information

The Group operates business from a geographic perspective; geographically, the Group currently focuses on wholesale in Taiwan, Mainland China, America, and Europe.

(2) Measurement of segment information

The Chief Operating Decision-Maker evaluates the performance of the operating segments based on a measure of adjusted EBITDA. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Group central treasury, which manages the cash position of the group. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4.

(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	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 52,651,423	$ 30,966,694	$ 3,087,937	$ 554,352	$ 87,260,406
Inter-segment revenue	2,051,773	79,534,924	35,145,844	4,861	116,737,402
Segment revenue	$ 54,703,196	$ 110,501,618	$38,233,781	$ 559,213	$203,997,808
Segment profit	$ 1,923,419	$ 4,471,548	$ 450,627	($ 6,100)	$ 6,839,494

Year ended December 31, 2017	Taiwan	Mainland China	America	Europe	Total
Revenue from external customers	$ 48,878,461	$ 25,893,389	$ 2,670,815	$ 713,021	$ 78,155,686
Inter-segment revenue	1,472,536	65,602,615	30,731,572	5,874	97,812,597
Segment revenue	$ 50,350,997	$ 91,496,004	$33,402,387	$ 718,895	$175,968,283
Segment profit	$ 2,269,306	$ 4,172,814	$ 211,402	$ 21,878	$ 6,675,400

(4) Reconciliation for segment income

The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2018 and 2017 is provided as follows:

	Years ended December 31,	
	2018	2017
Reportable segments income	$ 6,839,494	$ 6,675,400
Related loss not yet classified	(2,189,958)	(2,106,070)
Total non-operating revenue and expense	385,936	1,520,689
Income before tax from continuing operations	$ 5,035,472	$ 6,090,019

(5) Information on products and services

Revenue from third parties is mainly derived from the sale of computer peripheral products, consumer electronic products and other electronic products as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Electrical components	$ 41,909,929	$ 38,969,332
Consumer and other electronic products	44,571,425	38,339,996
Others	779,052	846,358
	$ 87,260,406	$ 78,155,686

(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
Domestic	$ 52,651,423	$ 3,416,312	$ 48,878,461	$ 4,755,356
Asia	30,966,694	10,309,547	25,893,389	10,144,368
US	3,087,937	163,144	2,670,815	146,319
Europe	554,352	1,202	713,021	1,453
	$ 87,260,406	$ 13,890,205	$ 78,155,686	$ 15,047,496

The Group’s geographical revenue information is determined based on the area collecting the accounts receivable.

Non-current assets include property, plant and equipment, investment assets, intangible assets and other assets, but excluding financial assets and deferred income tax assets.

(7) Major customer information

The Group has no single customer accounting for 10% of total sales revenue for the years ended December 2018 and 2017.