

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Independent Auditors' Report

To Sinbon Electronics Co., Ltd.

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018 and 2017, and its consolidated financial performance and cash flows for the years ended 31 December 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

1. Valuation for inventories

As of 31 December 2018, the Group's net inventories amounted to NT\$3,527,954 thousand. The amount of inventories was significant to the Group's financial statements. As the fluctuation in market demand and the fast-changing technology could cause losses of obsolete and slow-moving inventories, the assessment of the inventory write-downs require significant management judgement. We therefore determined this a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the adequacy of accounting policy around obsolete and slow-moving inventories, including historical analysis of loss ratio of scrapped inventories; evaluating stocktaking plan and selecting important storage locations to observe inventory counts to ensure inventory quantities and status; obtaining inventory aging schedule to test whether inbound and outbound records are accurate; re-calculating the unit cost of inventories; and evaluating and testing net realized value adopted by management. We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the Group's consolidate financial statements.

2. Impairment of accounts receivable

As of 31 December 2018, gross accounts receivable and loss allowance by the Group amounted to NT\$4,152,916 thousand and NT\$27,655 thousand, respectively. Net accounts receivable accounted for 29% of consolidated total assets, which was considered material in the consolidated statements. Since the loss allowance of account receivables is measured by the expected credit loss for the duration of the account receivables, it is necessary to divide account receivables into groups in the process of measurement and analyze the application of related assumptions, including appropriate aging intervals, their respective loss rate, and consideration of the forward-looking information. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net account receivable, we therefore determined this a key audit mater.

Our audit procedures included, but not limited to, analyzing the appropriateness of the grouping of account receivables and confirming whether customers with significantly different credit loss types are grouped by similar risk characteristics. Sinbon Electronics Co., Ltd. and its subsidiaries are tested by provision matrix, including evaluating the appropriateness of the aging intervals and the accuracy of the basic data by reviewing the original certificates; testing the related statistics information of loss rate based on the rolling rate within one year, including the average loss rate and standard deviation; considering the reasonableness of the forward-looking information which takes into account loss rate, such as economic growth rate and unemployment rate; assessing whether such forward-looking information affected the loss rate. We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the Group's consolidate financial statements.

Other Matter– Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflected total assets of NT\$1,991,440 thousand and NT\$1,924,399 thousand, constituting 14% and 15% of consolidated total assets as of 31 December 2018 and 2017, respectively, and total operating revenues of NT\$2,721,718 thousand and NT\$2,624,634 thousand, constituting 17% and 20% of consolidated operating revenues for the years ended 31 December 2018 and 2017, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NT\$321,922 thousand and NT\$326,568 thousand, representing 2% and 3% of consolidated total assets as of 31 December 2018 and 2017, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$63,268 thousand and NT\$52,286 thousand, both representing 3% of the consolidated net income before tax for the years ended 31 December 2018 and 2017, respectively, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(2,107) thousand and NT\$13,964 thousand, representing (8)% and (22)% of the consolidated other comprehensive income for the years ended 31 December 2018 and 2017, respectively.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, 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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

We have also audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended 31 December 2018 and 2017.

/s/Huang, Tzu Ping

/s/Lin, Hung Kang

Ernst & Young, Taiwan

14 March 2019

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of 31 December	
		2018	2017
Current assets			
Cash and cash equivalents	4,6(1)	\$2,625,021	\$3,125,187
Financial assets at fair value through profit or loss, current	4,6(2)	171,099	61,630
Available-for-sale financial assets, current	12	-	5,730
Notes receivable, net	4,6(3)	468,086	389,800
Accounts receivable, net	4,6(4),7	4,125,261	3,085,120
Other receivables	7	182,290	168,627
Inventories	4,6(5)	3,527,954	2,692,294
Prepayments		245,042	180,179
Other current assets		16,795	7,551
Total current assets		<u>11,361,548</u>	<u>9,716,118</u>
Non-current assets			
Financial assets at fair value through other comprehensive income, noncurrent	4,6(6)	276,727	-
Available-for-sale financial assets, noncurrent	4,6(7)	-	132,170
Financial assets measured at cost, noncurrent	4,6(8)	-	369,608
Investments accounted for under the equity method	4,6(9)	354,103	373,871
Property, plant and equipment	4,6(10)	1,854,001	1,486,310
Other intangible assets		94,820	59,529
Deferred tax assets	4,6(23)	82,937	71,748
Other non-current assets	4,6(11)	177,400	310,123
Total non-current assets		<u>2,839,988</u>	<u>2,803,359</u>
Total assets		<u>\$14,201,536</u>	<u>\$12,519,477</u>

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English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS(Continued)
31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of 31 December	
		2018	2017
Current liabilities			
Short-term loans	4,6(12)	\$1,804,995	\$1,594,624
Financial liabilities at fair value through profit or loss, current	4,6(13)	-	44,427
Contract liabilities, current	4,6(18)	328,405	-
Notes payable		210,226	110,111
Accounts payable	7	3,127,462	2,610,847
Other payables		875,407	783,172
Current tax liabilities		192,591	149,796
Current portion of bonds payable	4,6(14)	404,554	-
Current portion of long-term loans		2,395	-
Other current liabilities		35,537	180,051
Total current liabilities		<u>6,981,572</u>	<u>5,473,028</u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss, noncurrent		-	300
Bonds payable	4,6(14)	-	483,621
Long-term loans	4	7,646	-
Deferred tax liabilities	4,6(23)	298,241	160,718
Long-term deferred revenue	4,6(15)	15,505	16,256
Net defined benefit obligation, noncurrent	4,6(16)	88,510	89,296
Other non-current liabilities-others		13,430	2
Total non-current liabilities		<u>423,332</u>	<u>750,193</u>
Total liabilities		<u>7,404,904</u>	<u>6,223,221</u>
Equity attributable to the parent company	6(17)		
Capital			
Common stock		2,257,273	2,254,162
Certificates of bond-to-stock conversion		9,681	-
Subtotal		<u>2,266,954</u>	<u>2,254,162</u>
Additional Paid-in Capital	6(17)	<u>904,086</u>	<u>830,265</u>
Retained earnings			
Legal reserve		966,802	844,155
Special reserve		233,441	181,024
Unappropriated earnings		2,543,293	2,208,472
Subtotal		<u>3,743,536</u>	<u>3,233,651</u>
Other components of equity			
Exchange differences on translation of foreign operations		(333,087)	(251,893)
Unrealized gains or losses measured at fair value through other comprehensive income		(8,846)	-
Unrealized gains or losses on available-for-sale financial assets		-	18,452
Subtotal	4	<u>(341,933)</u>	<u>(233,441)</u>
Non-controlling interests	4,6(17)	<u>223,989</u>	<u>211,619</u>
Total equity		<u>6,796,632</u>	<u>6,296,256</u>
Total liabilities and equity		<u>\$14,201,536</u>	<u>\$12,519,477</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

		For the years ended 31 December	
	Notes	2018	2017
Operating revenues	4,6(18)	\$15,645,253	\$13,061,439
Operating costs	6(5,20),7	(11,725,308)	(9,781,088)
Gross profit-net		<u>3,919,945</u>	<u>3,280,351</u>
Operating expenses	6(20),7		
Sales and marketing expenses		(850,762)	(717,699)
General and administrative expenses		(853,495)	(702,769)
Research and development expenses		(582,938)	(466,737)
Expected credit loss	6(19)	(1,061)	-
Subtotal		<u>(2,288,256)</u>	<u>(1,887,205)</u>
Operating income		<u>1,631,689</u>	<u>1,393,146</u>
Non-operating income and expenses	6(21)		
Other income		126,093	227,467
Other gains and losses		159,837	(17,025)
Finance costs		(43,371)	(29,768)
Share of profit or loss of associates and joint ventures	4,6(9)	45,820	45,724
Subtotal		<u>288,379</u>	<u>226,398</u>
Income from continuing operations before income tax		<u>1,920,068</u>	<u>1,619,544</u>
Income tax expense	4,6(23)	(548,539)	(395,456)
Net income		<u>1,371,529</u>	<u>1,224,088</u>
Other comprehensive income	6(22)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(1,170)	(6,019)
Unrealized gains on equity instruments measured at fair value through other comprehensive income		110,611	-
Unrealized gains on equity instruments method at fair value through other comprehensive income of associates and joint ventures		(2,107)	-
Income tax related to items that may not be reclassified subsequently		1,624	1,023
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(106,632)	(120,217)
Unrealized gains on available-for-sale financial assets		-	28,973
Share of other comprehensive income of associates and joint ventures		-	13,964
Income tax related to items that may be reclassified subsequently		22,757	18,149
Total other comprehensive loss, net of tax		<u>25,083</u>	<u>(64,127)</u>
Total comprehensive income		<u>\$1,396,612</u>	<u>\$1,159,961</u>
Net income attributable to:	4,6(24)		
Stockholders of the parent		\$1,413,477	\$1,226,471
Non-controlling interests		(41,948)	(2,383)
		<u>\$1,371,529</u>	<u>\$1,224,088</u>
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$1,441,241	\$1,169,058
Non-controlling interests		(44,629)	(9,097)
		<u>\$1,396,612</u>	<u>\$1,159,961</u>
Earnings per share (NTD)			
Earnings per share-basic	4,6(24)	\$6.26	\$5.44
Earnings per share-diluted		<u>\$6.10</u>	<u>\$5.36</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to the parent company									
	Capital			Retained earnings			Other components of equity			
	Common stock	Certificates of Bond-to-Stock Conversion	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) on equity instruments measured at fair value through other comprehensive income	Unrealized Gains or Losses on Available-For-Sale Financial Assets	Total
Balance as of 1 January 2017	\$2,246,068	\$8,094	\$838,462	\$728,416	\$134,446	\$1,938,270	\$(156,519)	\$ -	\$(24,485)	\$5,732,732
Appropriation and distribution of 2016 retained earnings										
Legal reserve				115,739		(115,739)				-
Special reserve					46,578	(46,578)				-
Cash dividends						(788,956)				(788,956)
Change in Other additional paid-in capital										
Embedded conversion options derived from convertible bonds			14,652							14,652
Share of changes in net assets of associates and joint ventures accounted for using the equity method			2,235							2,235
Additional paid-in capital at cash dividends			(45,084)							(45,084)
Net income in 2017						1,226,471				1,226,471
Other comprehensive income (loss), net of tax in 2017						(4,996)	(95,354)		42,937	(64,127)
Total comprehensive income (loss)	-	-	-	-	-	1,221,475	(95,354)	-	42,937	1,169,058
Increase in non-controlling interests										172,786
Bonds converted to stock	8,094	(8,094)								-
Balance as of 31 December 2017	\$2,254,162	\$ -	\$830,265	\$844,155	\$181,024	\$2,208,472	\$(251,893)	\$ -	\$18,452	\$6,084,637
Balance as of 1 January 2018	\$2,254,162	\$ -	\$830,265	\$844,155	\$181,024	\$2,208,472	\$(251,893)	\$ -	\$18,452	\$6,296,256
Impact of retroactive applications						825			(18,452)	(138,184)
Adjusted balance as of 1 January 2018	2,254,162	-	830,265	844,155	181,024	2,209,297	(251,893)	(120,557)	-	5,946,453
Appropriation and distribution of 2017 retained earnings										
Legal reserve				122,647		(122,647)				-
Special reserve					52,417	(52,417)				-
Cash dividends						(901,664)				(901,664)
Other changes in additional paid-in capital										
From differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries			(87)							(87)
Net income in 2018						1,413,477				1,413,477
Other comprehensive income (loss), net of tax in 2018						454	(81,194)	108,504	-	27,764
Total comprehensive income (loss)	-	-	-	-	-	1,413,931	(81,194)	108,504	-	1,441,241
Increase in non-controlling interests										56,999
Disposal of financial assets at fair value through other comprehensive income						(3,207)		3,207		-
Bonds converted to stock	3,111	9,681	73,908							86,700
Balance as of 31 December 2018	\$2,257,273	\$9,681	\$904,086	\$966,802	\$233,441	\$2,543,293	\$(333,087)	\$(8,846)	\$ -	\$6,572,643

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2018	2017
Cash flows from operating activities:		
Net income before tax	\$1,920,068	\$1,619,544
Adjustments to reconcile net income before tax to net cash provided by operating activities:		
Income and expense adjustments:		
Depreciation	160,428	147,453
Amortization	45,134	38,459
Interest expense	43,371	29,768
Interest income	(11,454)	(11,801)
Dividends income	(18,117)	(17,270)
Share of profit of associates and joint ventures	(45,820)	(45,724)
Loss on disposal of property, plant and equipment	4,626	6,450
Expected credit losses	1,061	-
Bad debt expenses	-	23,225
Loss on disposal of investments	-	4,110
Gain of financial assets/ liabilities at fair value through profit or loss	(83,677)	(21,502)
Changes in operating assets and liabilities:		
Proceeds from disposal of financial asset for trading	-	7,496
Acquisition of for trading financial asset	-	(10,836)
(Increase) Decrease in notes receivable	(78,286)	62,751
Increase in accounts receivable	(1,041,908)	(210,486)
Increase in other receivables	(14,743)	(35,743)
Increase in inventories, net	(835,660)	(547,133)
Increase in prepayments	(64,863)	(83,463)
(Increase) Decrease in other current assets	(9,244)	27,650
Increase in other noncurrent assets	(157,011)	(193,092)
Increase in notes payable	100,115	69,718
Increase in accounts payable	516,615	313,965
Increase in contract liability	328,405	-
Increase (Decrease) in other payables	92,187	(27,439)
(Decrease) Increase in other current liabilities	(144,514)	70,208
Decrease in accrued pension liabilities	(1,956)	(77)
Cash generated from operations	704,757	1,216,231
Interest received	11,414	11,874
Dividend received	18,117	17,270
Interest paid	(35,669)	(23,128)
Income tax paid	(355,029)	(449,925)
Net cash provided by operating activities	343,590	772,322

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)

For the years ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended 31 December	
	2018	2017
Cash flows from investing activities:		
Net cash outflow from disposal of subsidiaries (Note 6.(26))	\$ -	\$(11,956)
Net cash outflow from acquisition of subsidiaries (Note 6(25))	-	(84,469)
Acquisition of property, plant and equipment	(327,317)	(124,921)
Proceeds from disposal of property, plant and equipment	9,599	1,985
Increase in other intangible assets	(8,291)	(3,325)
Dividends received from investee company	45,602	43,298
Acquisition of financial assets at fair value through other comprehensive income	(646)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	189,004	-
Decrease in financial assets at fair value through other comprehensive income	7,199	-
Proceeds from disposal of financial assets at fair value through profit or loss	10,762	-
Acquisition of financial assets at fair value through profit or loss	(75,572)	-
Decrease in financial assets measured at cost	-	12,713
Disposal of financial assets measured at cost	-	59,202
Acquisition of financial assets measured at cost	-	(240,443)
Acquisition of investments accounted for under the equity method	(1,230)	(25,004)
Decrease in investments accounted for under the equity method	17,600	40,000
Acquisition of available-for-sale financial assets	-	(5,730)
Proceeds from disposal of available-for-sale financial assets	-	430
Acquisition of non-controlling interests	(1,426)	-
Net cash used in investing activities	(134,716)	(338,220)
Cash flows from financing activities:		
Increase in short-term loans	210,371	2,307
Increase (Decrease) in long-term loans (include current portion)	10,041	(5,162)
Cash dividends	(901,664)	(834,040)
Proceeds from bonds issued	-	500,000
Decrease in long-term deferred revenue	(377)	(373)
Increase in deposits received	13,428	-
Increase in non-controlling interests	32,458	-
Net cash used in financing activities	(635,743)	(337,268)
Effect of exchange rate changes on cash and cash equivalents	(73,297)	(101,947)
Net decrease in cash and cash equivalents	(500,166)	(5,113)
Cash and cash equivalents at beginning of period	3,125,187	3,130,300
Cash and cash equivalents at end of period	\$2,625,021	\$3,125,187

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

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

Sinbon Electronics Co., Ltd. (the Company) was incorporated in Republic of China (R.O.C) in December 1989. The main activities of the Company include manufacturing and selling computer peripherals, connectors, wires and other parts. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market in May 2001 and were listed on the Taiwan Stock Exchange in August 2002.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (the Group) were authorized for issue in accordance with a resolution of the Board of Directors' meeting on 14 March 2019.

3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (a) *IFRS 15 "Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

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The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after 1 January 2018.
- B. Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. In addition, loss allowance for contract assets was assessed in accordance with IFRS 9. To compare with the requirements of IAS 18, the abovementioned differences have no impact on the Group as at 31 December 2018.
- C. Before 1 January 2018, revenue from rendering of services was recognized by reference to the stage of completion which was measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Group's revenue recognition from rendering of services.
- D. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities (Advanced Receipts). Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$153,313 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$328,405 thousand and the contract liabilities increased by NT\$328,405 thousand as at 31 December 2018.
- E. Please refer to Notes 4, 5 and 6 for additional disclosure notes required by IFRS 15.

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(2) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. The Group adopted IFRS 9 on 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$61,630	Fair value through profit or loss	\$67,360
Fair value through other comprehensive income		Fair value through other comprehensive income	363,594
Available-for-sale financial assets - current	5,730		
Available-for-sale financial assets - noncurrent (including NT\$369,608 thousand measured at cost)	501,778		
Subtotal	507,508	Subtotal	363,594
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables and other receivables)	6,697,725
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables and other receivables)	6,697,725		
Total	\$7,266,863	Total	\$7,128,679

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C. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follows:

IAS 39		IFRS 9		Difference	Retained earnings Adjustment	Other components of equity Adjustment
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts			
Financial assets at fair value through profit or loss (Note 1)						
Held-for-trading	\$61,630	Measured at fair value through profit or loss	\$61,630	\$ -	\$ -	\$ -
Fair value through other comprehensive income						
Available-for-sale financial assets - current	5,730	Measured at fair value through profit or loss	5,730	-	-	-
Available-for-sale financial assets - noncurrent (including investments measured at cost with initial investment cost of NT\$369,608 thousand, reported as a separate line item) (Note 2)	501,778	Measured at fair value through other comprehensive income (equity instruments)	363,594	138,184	(825)	139,009
Subtotal	507,508	Subtotal	369,324	138,184	(825)	139,009
Loans and receivables (Note 3)		Financial assets measured at amortized costs				
Cash and cash equivalents (exclude cash on hand)	3,054,178	Cash and cash equivalents (exclude cash on hand)	3,054,178	-	-	-
Notes receivables	389,800	Notes receivables	389,800	-	-	-
Trade receivables	3,085,120	Trade receivables	3,085,120	-	-	-
Other receivables	168,627	Other receivables	168,627	-	-	-
Subtotal	6,697,725	Subtotal	6,697,725	-	-	-
Total	\$7,266,863	Total	\$7,128,697	\$138,184	\$(825)	\$139,009

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- (1) In accordance with IAS 39, financial assets classified as held for trading which are measured at fair value through profit or loss might include investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amounts outstanding and the Group assessed the facts and circumstances existed as at 1 January 2018, and determined they were held-for-trading; therefore, they were classified as financial assets mandatorily measured at fair value through profit or loss.
- (2) In accordance with of IAS 39, the Group's available-for-sale financial assets include investments in funds, stocks of listed companies and stocks of unlisted companies. Adjustment details are described as follows:

a. Funds

As the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so funds are classified as financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9. As at 1 January 2018, the Group reclassified available-for-sale financial assets of NT\$5,730 thousand to financial assets mandatorily measured at fair value through profit or loss.

b. Stocks (including listed and unlisted companies)

The Group assessed the facts and circumstances existed as at 1 January 2018, and determined these stocks were not held-for-trading; therefore, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at 1 January 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income in the amount of NT\$363,594 thousand. Other related adjustments are described as follows:

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- (a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost of NT\$825 thousand, which was fully impaired. However, in accordance with IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The fair value of the stocks of unlisted companies was NT\$231,424 thousand as at 1 January 2018. Accordingly, the Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of NT\$231,424 thousand and also adjusted the retained earnings and other equity by NT\$825 thousand and NT\$139,009 thousand, respectively.
- (b) As at 1 January 2018, the Group reclassified the stocks of listed companies of NT\$132,170 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result in any differences in the carrying amounts of assets, but reclassified within equity accounts.
- (3) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

D. Please refer to Notes 4, 5, 6 and 12 for the related disclosures required by IFRS 7 and IFRS 9.

(3) IFRIC 22 *“Foreign Currency Transactions and Advance Consideration”*

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

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The Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 16 "Leases"	1 January 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	1 January 2019
c	IAS 28 "Investments in Associates and Joint Ventures" –Amendments to IAS28	1 January 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS9)	1 January 2019
e	Improvements to International Financial Reporting Standards (2015 – 2017 cycle)	1 January 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

(a) *IFRS 16 "Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) *IFRIC 23 "Uncertainty Over Income Tax Treatments"*

The interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

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(c) *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

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(f) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Group.

(1) IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

- A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

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(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset will increase by NT\$86,580 and the lease liability will increase by NT\$86,580 on 1 January 2019.

(b) Leases classified as finance leases

None.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021
c	Definition of a Business (Amendments to IFRS 3)	1 January 2020
d	Definition of Materiality (Amendments to IAS 1 and 8)	1 January 2020

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(a) *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 “*Consolidated Financial Statements*” and IAS 28 “*Investments in Associates and Joint Ventures*”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(b) *IFRS 17 “Insurance Contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model. Under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows
- (2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows
- (3) a risk adjustment for non-financial risk

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The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is evaluating the impact of the standards and interpretations have no material impact on the Group.

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4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“\$”) unless otherwise stated.

(3) Basis of Consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries 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.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2018	31 December 2017	
The Company	Sinbon International Enterprise Co., Ltd. (SB(BVI))	Holding company	100.00%	100.00%	
The Company	Hong Kong Sinbon Electronics Co., Ltd. (HKSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	
The Company	Super Elite Ltd. (SEL)	General investment	64.48%	64.48%	
The Company	Beijing Sinbon Electronics Co., Ltd. (BJSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	Note5
The Company	Kwan-Ze Corporation Ltd. (Kwan-Ze)	Selling a wide variety of electronic materials and holding company	100.00%	100.00%	
The Company	Sinbon USA L.L.C. (Sinbon USA)	Logistic center	100.00%	100.00%	
The Company	Beijing Sinbon Tongan Electronics Co., Ltd.(BJSB Tongan)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	
The Company	Sinbon Europe GmbH (EuropeSB)	Logistic center	100.00%	100.00%	
The Company	Radbon Avionics Inc. (Radbon)	Selling signal cables and cabin wiring.	55.00%	90.00%	Note1
The Company	T-CONN Precision Co., Ltd.(T-CONN)	Manufacturing and selling a wide variety of connectors, wires and cables	62.52%	64.48%	Note2
Sinbon USA	Worldwide Wire Harnesses Co., Ltd. (SST)	Holding company	50.00%	50.00%	Note3
BVI	Jiangyin Sinbon Electronics Co., Ltd. (JYSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	
BVI	Shenzhen Sinbon Electronics Co., Ltd. (SZSB)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	
BVI	Shanghai Sinbon Electronics Co., Ltd. (SHSB)	Selling a wide variety of connectors and cables	100.00%	100.00%	

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Investor	Subsidiary	Main businesses	Percentage of ownership (%)		Note
			31 December 2018	31 December 2017	
BVI	Tong Cheng Sinbon Electronics Co., Ltd. (TCSB)	Manufacturing and selling a wide variety of connectors, wires and cables	100.00%	100.00%	
T-CONN	T-CONN Precision (Zhongshan) Co., Ltd.(T-CONN Zhongshan)	Manufacturing and selling a wide variety of connectors, wires and cables	62.52%	64.48%	Note2
T-CONN	Super Progressive Ltd. (SPL)	Logistic center	62.52%	64.48%	Note2
Worldwide Wire Harnesses Co., Ltd.	Sinbon Technologies Tennessee L.L.C. (STT)	Logistic Center	50.00%	50.00%	
Kwan-Ze	Digi O2 International Co., Ltd. (Digi O2)	Selling a wide variety of connectors and cables	-	98.83%	Note4
Sinbon Europe	Sinbon Holding GmbH (Sinbon Elcotronic)	Holding company	51.00%	51.00%	
Sinbon Elcotronic	Sinbon Hungary Kft (ET Hungary)	Manufacturing and selling a wide variety of connectors, wires and cables	51.00%	51.00%	
Sinbon Elcotronic	Sinbon Germany GmbH (ET Germany)	Logistic center	51.00%	51.00%	
BJSB Tongan	Jiangsu EnMai Energy and Technology Co., Ltd. (EM)	Selling a wide variety of connectors, wires and cables	100.00%	100.00%	

Note 1: On 18 January 2018, the Company acquired additional 300 thousand shares of Radbon hence raising its ownership to 100%. On 27 June 2018, Radbon raised cash capital with 3,000 shares and raised share capital by technology contribution to increase 2,700 shares; however, the Company did not acquire shares according to the shareholding percentage. Therefore, its ownership dropped from 100% to 55%. Refer to Note 6 (27) for the changes.

Note 2: In 2018, T-CONN raised capital; however, the Company did not acquire shares according to the shareholding percentage. Therefore, its ownership dropped from 64% to 62.25%.

Note 3: SST and STT were originally held by the Company. They are now held by Sinbon USA due to the transfer of equity structure this period.

Note 4: On 5 January 2018, the Ministry of Economic Affairs approved the dissolution of the case. The Company will not incorporate Digi O2's gain or loss in its consolidated financial statement from the day the Company ceased to have control over Digi O2.

Note 5: Since 5 September 2018, after signing the transfer agreement, the shareholders' rights and obligations of BJSB have been transferred to BJSB Tongan. On 2 January 2019, the change of registration was completed and approved by SAIC, BJSB has been invested by BJSB Tongan.

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The subsidiaries included in the consolidated financial statements listed above, some of which financial statements are recorded as the basis of the verification by other accountants. As of 31 December 2018 and 2017, the related assets amounted to NT\$1,991,440 thousand and NT\$1,924,399 thousand. The net sales of these subsidiaries amounted to NT\$2,721,718 thousand and NT\$2,624,634 thousand.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NT\$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial

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instruments.

- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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(7) Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

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Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets as at fair value through profit or loss. A financial asset is classified as held for trading if:

- i. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.
- ii. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- iii. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid

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(combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

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If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

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(2) Impairment of financial assets

The accounting policy from 1 January 2018 is as follows:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

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The accounting policy before 1 January 2018 is as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i. significant financial difficulty of the issuer or obligor
- ii. a breach of contract, such as a default or delinquency in interest or principal payments
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(3)Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement).

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Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a

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documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Before 1 January 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policy are applicable to host contracts as financial liabilities or non-financial assets since 1 January 2018.

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(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a first in, first out basis

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Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from 1 January 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

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When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5~50 years
Machinery and equipment	3~15 years
Transportation equipment	5~10 years
Office equipment	3~10 years
Other equipment	2~15 years
Leasehold improvements	Lower of leasehold years or useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(14) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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(15) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	1~15 years
Amortization method used	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired

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(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

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(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Sales returns and allowances

Starting from 1 January 2018, sales returns and allowances are accounted in accordance with IFRS 15. Before 1 January 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

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(18) Revenue recognition

The accounting policy from 1 January 2018 is as follows:

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are computer peripherals, connectors, wires and other parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 60 to 120 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

Rendering of services

The Group provides maintenance services for the sale of construction for solar photovoltaic power generation system. Such services are separately priced or negotiated, and provided based on contract periods.

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Most of the contractual considerations of the Group are collected evenly throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

The accounting policy before 1 January 2018 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained
- (c) the amount of revenue can be measured reliably
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity
- (e) the costs incurred in respect of the transaction can be measured reliably

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Rendering of services

Revenue from construction for solar photovoltaic power generation system is recognized by reference to the stage of completion. Stage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(21) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(23) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* (before 1 January 2018: IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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(1) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Please refer to Note 6 for more details.

(3) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(4)Accounts receivables–estimation of impairment loss

Starting from 1 January 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before1 January 2018:

The Group considers the estimation of future cash flows when there is objective evidence showing indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(5)Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

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6. Contents of significant accounts

(1) Cash and cash equivalents

	As of 31 December	
	2018	2017
Cash on hand	\$22,194	\$71,009
Demand deposits	2,501,389	2,884,382
Time deposits	101,438	169,796
Total	<u>\$2,625,021</u>	<u>\$3,125,187</u>

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

	As of 31 December	
	2018	2017(note)
Financial assets mandatorily at fair value through profit or loss:		
Funds	\$158,548	
Cross currency swap	9,873	
Stocks	2,596	
Embedded derivative-bond	82	
Total	<u>\$171,099</u>	

	As of 31 December	
	2018(note)	2017
Held for trading:		
Non-derivative financial assets		
Fund		\$57,849
Stocks		3,781
Total		<u>\$61,630</u>

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

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(3) Notes receivables

	As of 31 December	
	2018(note)	2017
Notes receivables arising from operating activities	\$468,086	\$389,800
Notes receivables arising from non-operating activities	-	-
Less: loss allowance	-	-
Total	<u>\$468,086</u>	<u>\$389,800</u>

Please refer to Note 12 for more details on pledged of notes receivable.

The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(19) for more details on loss allowance. Please refer to Note 12 for more details on credit risk.

(4) Accounts receivables

	As of 31 December	
	2018	2017
Trade receivables	\$4,150,889	\$3,125,907
Less: loss allowance	(27,655)	(51,620)
subtotal	4,123,234	3,074,287
Accounts receivable – related parties	2,027	10,833
Total	<u>\$4,125,261</u>	<u>\$3,085,120</u>

Trade receivables were not pledged.

Trade receivables are generally on 60-120 day terms. The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(19) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties for the year ended 31 December 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

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	Individually impaired	Collectively impaired	Total
As of 1 January 2017	\$ -	\$31,041	\$31,041
Write-off for uncollectable accounts	-	(1,932)	(1,932)
Charge (reversal) for the current period	-	23,225	23,225
Exchange differences	-	(714)	(714)
As of 31 December 2017	<u>\$ -</u>	<u>\$51,620</u>	<u>\$51,620</u>

There was no impairment loss of individually accounts receivable for the years ended 31 December 2017.

Ageing analysis of trade receivables as follows:

As of 31 December	Neither past due nor impaired	Past due but not impaired					Total
		<=30 days	31~60 days	61~90 days	91~120 days	>=121 days	
2017	\$2,925,718	\$138,080	\$12,609	\$63	\$1,499	\$7,151	\$3,085,120

(5) Inventories

	As of 31 December	
	2018	2017
Raw materials	\$1,178,724	\$961,404
Supplies & parts	40,602	1,455
Work in progress	186,773	168,215
Finished goods	1,244,919	865,793
Merchandise	876,936	695,427
Total	<u>\$3,527,954</u>	<u>\$2,692,294</u>

The inventory cost recognized as expenses for the years ended 31 December 2018 and 2017 were NT\$11,725,308 thousand and NT\$9,781,088 thousand, respectively. The price reduction of inventories related to cost of goods sold were NT\$22,238 thousand and NT\$34,454 thousand.

Inventories were not pledged.

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

	As of 31 December	
	2018	2017(Note)
Equity instrument investments measured at fair value through other comprehensive income –		
Non-current		
Emerging companies stocks	\$15,698	
Unlisted companies stocks	261,029	
Total	<u>\$276,727</u>	

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

The Group disposed of the unlisted stocks of General Research of Electronics Inc. which were reported under equity instrument investments measured at fair value through other comprehensive income on 29 June 2018. Upon derecognition, the fair value of the investments was NT\$0 thousand, and the cumulative disposal loss of NT\$23,184 thousand was transferred from other components of equity to retained earnings.

The Group disposed of the listed stocks of INPAQ Technology Co., Ltd. which were reported under equity instrument investments measured at fair value through other comprehensive income on 18 April 2018 and 2 May 2018. Upon derecognition, the fair values of the investments were NT\$913 thousand and NT\$187,300 thousand and the cumulative disposal gain of NT\$107 thousand and NT\$19,725 thousand was transferred from other components of equity to retained earnings.

On 23 April 2018, the Group invested NT\$646 thousand in Gongwin Biopharm Holdings Co., Ltd. In consideration of the Group's investment strategy, the Group disposed of the emerging stocks of Gongwin Biopharm Holdings Co., Ltd., which were reported under equity instrument investments measured at fair value through other comprehensive income during the period. Upon derecognition, the fair value of the investments was NT\$791 thousand, and the cumulative disposal gain of NT\$145 thousand was transferred from other components of equity to retained earnings.

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The return of paid-in capital for capital reduction from Top Taiwan II Venture Capital Co., Ltd. and Top Taiwan III Venture Capital Co., Ltd. for the years ended 31 December 2018 were NT\$775 thousand, NT\$1,220 thousand and NT\$5,204 thousand.

Financial assets at fair value through other comprehensive income were not pledged.

(7) Available-for-sale financial assets - noncurrent

	As of 31 December	
	2018(Note)	2017
INPAQ Technology Co., Ltd.		\$168,381
Gongwin Biopharm Holdings Co., Ltd.		18,296
Less: unrealized loss on available -for-sale financial assets		(46,516)
Less: accumulated impairment- available-for-sale financial assets		(7,991)
Total		<u>\$132,170</u>

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

On 8 February 2017, Gongwin Biopharm Holdings Co., Ltd. was listed on the TPEx Emerging Stock Market. The Group investment was previously measured at cost but later changed to fair value while the investment was recognized as available-for-sale financial assets-noncurrent in accordance with IAS 39 adopted before 1 January 2018. The Group disposed of 5,000 shares on 23 February 2017. A cash consideration of NT\$430 thousand was received and the Group has recognized gain on disposal of investment amounting to NT\$41 thousand.

The Group adopted IAS 39 before 1 January 2018 and classified certain financial assets as available-for-sale financial assets. Available-for-sale financial assets were not pledged.

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(8) Financial assets measured at cost – noncurrent

	As of 31 December	
	2018(Note)	2017
Financial assets at fair value through profit or loss		
Chengding Venture Capital Co., Ltd.		\$200,000
Top Taiwan Venture Capital Co., Ltd.		60,000
HOTWIRE Development LLC		32,653
Top Taiwan VII Venture Capital Co., Ltd.		24,934
General Research of Electronics Inc.		23,184
Top Taiwan III Venture Capital Co., Ltd.		8,130
Top Taiwan II Venture Capital Co., Ltd.		7,750
Dynahz Technologies Co., Ltd.		6,150
Bandrich, Inc.		4,125
Japan Sinbon Electronics Co., Ltd.		2,066
Actmax Technologies Inc.		1,441
Subtotal		370,433
Less: accumulated impairment		(825)
Total		<u>\$369,608</u>

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before 1 January 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

The return of paid-in capital for capital reduction from Top Taiwan II Venture Capital Co., Ltd., Top Taiwan III Venture Capital Co., Ltd. and Top Taiwan VII Venture Capital Co., Ltd. for the year ended 31 December 2018 were NT\$1,000 thousand, NT\$5,285 thousand and NT\$6,428 thousand, respectively.

On 24 May 2017, the Group disposed of the shares of Sinbon Czech a.s. and a cash consideration of NT\$279 thousand was received.

Please refer to Note 6. (26) for the group's shareholding percentage in Japen Sinbon Electronics Co., Ltd.

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On 20 July 2017, the Group disposed of the shares of Sinbon Electronic Holding GmbH in the amount of NT\$58,923 thousand.

The Group invested NT\$200,000 thousand in Chengding Venture Capital Co., Ltd. on 30 October 2017.

On 31 March 2017, the Group invested NT\$40,443 thousand in Cayman Lan-Chen Fund. Considering its investment strategy, the Group decided to reclassify the fund adopting IAS 39 prior to 1 July 2018 to financial assets held for trading on 31 December 2017.

Financial assets measured at cost were not pledged.

(9) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

Investees	As of 31 December			
	2018		2017	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
<u>Listed company</u>				
Argocy Research Inc.	\$297,861	21.40%	\$284,652	21.40%
<u>Non listed company</u>				
Circuits & Cables LLC	32,181	40.00%	47,303	40.00%
Top Taiwan IV Venture Capital Co., Ltd.	24,061	20.00%	41,916	20.00%
Sardines Wisdom Technology Co., Ltd.	-	26.64%	-	24.59%
Total	<u>\$354,103</u>		<u>\$373,871</u>	

In the fourth quarter, the Group invested in Sardines Wisdom Technology Co., Ltd. (Sardines Wisdom) in the amount of NT\$1,230 thousand, resulting in a rise in the shareholding ratio to 26.64%. Because Sardines Wisdom suffered losses and the Group didn't intend to support Sardines Wisdom, the Group reduced the book value of the investment in Sardines Wisdom to zero through recognizing loss.

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On 13 March 2017, the Group invested NT\$25,004 thousand in Circuits & Cables LLC. The Group's ownership in the company rose to 40%. The Group originally used cost method as measurement but later changed to equity method while the investments were accounted for using the equity method.

The return of paid-in capital for capital reduction from Top Taiwan IV Venture Capital Co., Ltd. for the years ended 31 December 2018 and 2017 were NT\$17,600 thousand and NT\$40,000 thousand.

Fair value of the investment in the associate when there is a quoted market price for the investment: Argocy Research Inc. is a listed entity on the Taiwan Stock Exchange (TWSE). The fair value of the investment in Argocy Research Inc. was NT\$526,199 thousand, NT\$561,337 thousand as of 31 December 2018 and 2017.

The Group's investments in Argocy Research Inc., Top Taiwan IV Venture Capital Co., Ltd., Circuits & Cables LLC and Sardines Wisdom Technology Co., Ltd. are not individually material. The aggregate financial information of the Group's share of its associates is as follows:

	For the years ended 31 December	
	2018	2017
Profit from continuing operations	\$45,820	\$45,724
Other comprehensive income (post-tax)	(2,107)	13,964
Total comprehensive income	<u>\$43,713</u>	<u>\$59,688</u>

The associates had no contingent liabilities or capital commitments as of 31 December 2017 and 2018.

Our audit, insofar as it related to the investments accounted for under the equity method amounting to NT\$321,922 thousand and NT\$326,568 thousand as of 31 December 2018 and 2017; the related shares of investment income from the associates and joint ventures amounted to NT\$63,268 thousand and NT\$52,286 thousand for the years ended 31 December 2018 and 2019, respectively; and the related shares of other comprehensive income from the associates and joint ventures amounted to NT\$(2,107) thousand and NT\$13,964 thousand for the years ended 31 December 2018 and 2017, respectively; are based solely on the reports of other independent accountants.

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(10) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Other equipment	Leasehold improvements	Construction in progress and equipment pending inspection	Total
Cost:									
As of 1 January 2018	\$150,429	\$1,495,173	\$760,073	\$127,138	\$32,603	\$206,706	\$11,249	\$33,349	\$2,816,720
Additions	-	7,092	138,950	18,295	4,632	44,197	524	113,627	327,317
Disposals	-	(4,987)	(37,865)	(7,011)	(2,653)	(11,931)	-	-	(64,447)
Exchange differences	-	(28,974)	(15,691)	(2,155)	(628)	(4,598)	137	(1,570)	(53,479)
Other changes	-	194,868	39,390	415	1,085	7,849	-	(2,980)	240,627
As of 31 December 2018	<u>\$150,429</u>	<u>\$1,663,172</u>	<u>\$884,857</u>	<u>\$136,682</u>	<u>\$35,039</u>	<u>\$242,223</u>	<u>\$11,910</u>	<u>\$142,426</u>	<u>\$3,266,738</u>
As of 1 January 2017	\$156,669	\$1,324,362	\$743,947	\$94,174	\$35,356	\$180,575	\$5,394	\$345	\$2,540,822
Additions	-	2,650	40,386	13,804	431	27,424	5,375	34,851	124,921
Acquisitions through business combinations	-	189,353	30,398	24,839	-	-	-	7,110	251,700
Disposals	-	(26)	(45,751)	(4,665)	(1,528)	(5,689)	-	-	(57,659)
Exchange differences	(93)	(13,809)	(8,818)	(1,003)	(548)	(2,206)	-	63	(26,414)
Other changes	(6,147)	(7,357)	(89)	(11)	(1,108)	6,602	480	(9,020)	(16,650)
As of 31 December 2017	<u>\$150,429</u>	<u>\$1,495,173</u>	<u>\$760,073</u>	<u>\$127,138</u>	<u>\$32,603</u>	<u>\$206,706</u>	<u>\$11,249</u>	<u>\$33,349</u>	<u>\$2,816,720</u>
Depreciation and impairment:									
As of 1 January 2018	\$ -	\$572,938	\$509,381	\$96,297	\$26,424	\$118,488	\$6,882	\$ -	\$1,330,410
Depreciation	-	65,133	50,630	13,001	2,206	27,436	2,022	-	160,428
Disposals	-	(4,979)	(27,710)	(6,100)	(2,388)	(9,045)	-	-	(50,222)
Exchange differences	-	(12,005)	(10,612)	(1,809)	(544)	(2,976)	67	-	(27,879)
Other changes	-	-	-	-	-	-	-	-	-
As of 31 December 2018	<u>\$ -</u>	<u>\$621,087</u>	<u>\$521,689</u>	<u>\$101,389</u>	<u>\$25,698</u>	<u>\$133,903</u>	<u>\$8,971</u>	<u>\$ -</u>	<u>\$1,412,737</u>
As of 1 January 2017	\$ -	\$514,716	\$479,257	\$66,087	\$26,421	\$109,964	\$5,269	\$ -	\$1,201,714
Depreciation	-	58,119	50,495	11,912	2,289	22,998	1,640	-	147,453
Acquisitions through business combinations	-	4,800	15,602	22,520	-	-	-	-	42,922
Disposals	-	(11)	(38,940)	(3,698)	(1,375)	(5,200)	-	-	(49,224)
Exchange differences	-	(4,512)	3,454	(524)	(373)	(9,248)	(27)	-	(11,230)
Other changes	-	(174)	(487)	-	(538)	(26)	-	-	(1,225)
As of 31 December 2017	<u>\$ -</u>	<u>\$572,938</u>	<u>\$509,381</u>	<u>\$96,297</u>	<u>\$26,424</u>	<u>\$118,488</u>	<u>\$6,882</u>	<u>\$ -</u>	<u>\$1,330,410</u>
Net carrying amount as of:									
31 December 2018	<u>\$150,429</u>	<u>\$1,042,085</u>	<u>\$363,168</u>	<u>\$35,293</u>	<u>\$9,341</u>	<u>\$108,320</u>	<u>\$2,939</u>	<u>\$142,426</u>	<u>\$1,854,001</u>
31 December 2017	<u>\$150,429</u>	<u>\$922,235</u>	<u>\$250,692</u>	<u>\$30,841</u>	<u>\$6,179</u>	<u>\$88,218</u>	<u>\$4,367</u>	<u>\$33,349</u>	<u>\$1,486,310</u>

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Property, plant and equipment was not pledged.

There is no capitalization of interest due to purchase of property, plant and equipment

Components of building that have different useful lives are the main building structure and air conditioning, which are depreciated over 50 years and 25 years, respectively.

(11) Other non-current assets

	As of 31 December	
	2018	2017
Prepayment for equipment	\$55,178	\$180,228
Long-term deferred charges	60,397	68,292
Long-term prepaid rent	36,355	38,272
Refundable deposits	24,716	22,577
Other assets	754	754
Total	<u>\$177,400</u>	<u>\$310,123</u>

Long-term prepaid rents were payments for land use rights as of 31 December 2018 and 2017.

No other non-current assets were pledged.

(12) Short-term loans

	As of 31 December	
	2018	2017
Unsecured bank loans	<u>\$1,804,995</u>	<u>\$1,594,624</u>
	2018	2017
	<u>0.60%-5.00%</u>	<u>0.40%-5.00%</u>
Interest rates applied		

The Group's unused short-term lines of credits amounted to NT\$489,456 thousand and NT\$794,828 thousand as of 31 December 2018 and 2017, respectively.

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

	As of 31 December	
	2018	2017
Held for trading:		
Derivatives not designated as hedging		
Instruments		
Cross currency swap	\$ -	\$44,427
Embedded derivatives-bond	-	300
Total	\$ -	\$44,727
Current	\$ -	\$44,427
Non-current	-	300
Total	\$ -	\$44,727

(14) Bonds payable

	As of 31 December	
	2018	2017
Liability component:		
Principal amount	\$411,600	\$500,000
Discounts on bonds payable	(7,046)	(16,379)
Subtotal	404,554	483,621
Less: current portion	(404,554)	-
Net	\$ -	\$483,621
Embedded derivative	\$(82)	\$300
Equity component	\$12,061	\$14,652

Issuance of convertible bonds:

On 8 June 2017, the Company issued the sixth zero coupon unsecured convertible bonds. The terms of the convertible bonds were evaluated to include a liability component, embedded derivatives (a call option and a put option) and an equity component (an option for conversion into issuer's ordinary shares). The terms of the bonds are as follows:

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Issue amount: NT\$500,000 thousand

Period: 8 June 2017 ~ 8 June 2020

Redemption clauses:

- (1) The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (9 September 2017) and prior to 40 days before the maturity date (29 April 2020), at the principal amount of the bonds with an interest calculated at the rate of 0% per annum (early redemption conversion price) if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- (2) The Company may redeem the bonds, in whole or in part, after 3 months of the issuance (9 September 2017) and prior to 40 days before the maturity date (29 April 2020), at the early redemption conversion price if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- (3) The Company may redeem the bonds in cash, within 5 trading days after the base date of withdrawing the bonds as stated on the "Withdrawal of Convertible Bonds Notice", at the par value if the bondholders do not reply to the share affair agency in writing before the base date.

Reversal clauses:

- a. The bondholders have the right to require the Company to redeem all or any portion of the bonds, 30 days prior to 2 year anniversary (June 8, 2019) of the issuance, at the principal amount of the bonds with an interest calculated at the rate of 0.5% per annum.

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Terms of Exchange:

- a. Underlying Securities: Common shares of the Company
- b. Exchange Period: The bonds are exchangeable at any time on or after 9 September 2017 and prior to 8 June 2020 into common shares of the Company.
- c. Exchange Price and Adjustment: The exchange price was originally NT\$76.6 per share. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

In accordance with IFRS 9, said financial instrument is classified as an embedded derivative so the exercise price of the embedded put option is allocated to the liability component and equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The difference between the equity component and the book value was recognized in profit or loss. The difference between the liability component and the book value was recognized in "Share premium-warrants". The financial assets (liabilities) of convertible bonds are measured at amortized cost, fair value through profit or loss amounted to NT\$82 thousand, NT\$(300) thousand as at 31 December 2017 and 2018.

The convertible bonds that have already been converted were: NT\$88,400 thousand and NT\$0 thousand, as at 31 December 2018 and 2017.

(15) Long-term Deferred Revenue

	For the years ended	
	31 December	
	2018	2017
Beginning balance	\$16,256	\$16,858
Amortization	(377)	(373)
Exchange difference	(374)	(229)
Ending Balance	<u>\$15,505</u>	<u>\$16,256</u>

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	As of 31 December	
	2018	2017
Deferred revenue - related to assets	\$15,505	\$16,256

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

(16) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan for the years ended 31 December 2018 and 2017 were NT\$28,514 thousand and NT\$32,395 thousand, respectively.

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Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$4,560 thousand to its defined benefit plan during the 12 months beginning after 31 December 2018.

The weighted average duration of the defined benefits obligation was 15 years as of 31 December 2018.

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Pension costs recognized in profit or loss are as follows:

	For the years ended 31 December	
	2018	2017
Current service costs	\$1,340	\$1,577
Net interest on the net defined benefit liabilities(Assets)	1,185	1,311
Total	<u>\$2,525</u>	<u>\$2,888</u>

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	As of		
	31 Dec. 2018	31 Dec. 2017	1 Jan.2017
Defined benefit obligation	\$144,516	\$147,616	\$147,969
Plan assets at fair value	(56,006)	(58,320)	(64,615)
Net defined benefit liabilities, noncurrent recognized on the consolidated balance sheets	<u>\$88,510</u>	<u>\$89,296</u>	<u>\$83,354</u>

Reconciliation of liabilities (assets) of the defined benefit plan are as follows:

	As of		
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
As of 1 January 2017	\$147,969	\$(64,615)	\$83,354
Current service cost	1,577	-	1,577
Interest expense (income)	2,368	(1,057)	1,311
Subtotal	151,914	(65,672)	86,242
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	4,660	-	4,660
Experience adjustments	971	-	971
Remeasurements of the defined benefit assets	-	388	388
Subtotal	<u>5,631</u>	<u>388</u>	<u>6,019</u>

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	As of		
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities
Payments of benefit obligation	(9,929)	9,929	-
Contributions by employer	-	(2,965)	(2,965)
As of 31 December 2017	147,616	(58,320)	89,296
Current period service costs	1,340	-	1,340
Interest expense (income)	1,992	(807)	1,185
Subtotal	150,948	(59,127)	91,821
Remeasurements of the defined benefit liabilities /assets:			
Actuarial gains and losses arising from changes in demographic assumptions	4,248	-	4,248
Experience adjustments	(1,300)	-	(1,300)
Remeasurements of the defined benefit assets	-	(1,778)	(1,778)
Subtotal	2,948	(1,778)	1,170
Payments of benefit obligation	(9,380)	9,380	-
Contributions by employer	-	(4,481)	(4,481)
As of 31 December 2018	\$144,516	\$(56,006)	\$88,510

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	As of 31 December	
	2018	2017
Discount rate	1.10%	1.35%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis for significant assumption are shown below:

	For the years ended 31 December			
	2018		2017	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.50%	\$ -	\$8,320	\$ -	\$9,123
Discount rate decrease by 0.50%	9,065	-	9,958	-
Future salary increase by 1.00%	18,380	-	20,263	-
Future salary decrease by 1.00%	-	15,837	-	17,391

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The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equity

(a) Common stock

The Company's authorized capital was NT\$4,500,000 thousand as of 31 December 2018 and 2017. The paid-in capital was NT\$2,257,273 thousand and NT\$2,254,162 thousand, divided into 225,727 and 225,416 thousand shares with par value of NT\$ 10 each, respectively. Each share has one voting right and a right to receive dividends.

The investors requested to convert the Company's convertible bonds into common stocks by issuing new common shares from 1 January 2018 to 31 December 2018 amount to NT\$12,792 thousand in a total of 1,279 thousand shares and had been completed the registration process for 311 thousand shares as of 31 December 2018. The rest has not yet been completed. Therefore, the accumulated book value of certificates of bond - to - stock conversion is NT\$9,681 thousand in a total of 968 thousand shares.

As of 1 January 2017, the accumulated book value of certificates of bond - to - stock conversion that had completed the registration process amounted to NT\$8,094 thousand in a total of 809 thousand shares as of 31 March 2017.

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(b) Capital surplus

	As of 31 December	
	2018	2017
Additional paid-in capital	\$890,036	\$813,537
Treasury share transactions	5,749	5,749
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(1,690)	(1,690)
From share of changes in net assets of associates	(2,775)	(2,688)
Premium from merger	705	705
Stok options	12,061	14,652
Total	<u>\$904,086</u>	<u>\$830,265</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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As the Company is undergoing a growth stage, the policy of dividend distribution should reflect its long-term financial planning. The Board of Directors shall make the distribution proposal annually and present it at the Shareholder's meeting every year. The distribution of shareholders dividend shall be allocated cash dividends to be distributed may not be less than 10% of total dividends to be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Pursuant to existing regulation, the Company is required to appropriate addition special reserve in the amount equal to the net debit balance of the other components of shareholders' equity. However, if any of the debit elements is reversed, the special reverse in the amount equal to the reversal maybe released for earnings distribution or offestting accumulated deficit.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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The Company did not reverse any special reserve as a result of using, disposing of or reclassifying related assets in 31 December 2018 and 2017.

Details of the 2018 and 2017 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on 14 March 2019 and 8 June 2018, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Common stock -cash dividend	\$1,026,622	\$901,664	\$4.5	\$4
Legal reserve	141,348	122,647		
Special reserve	108,492	52,417		
Total	<u>\$1,276,462</u>	<u>\$1,076,728</u>		

Please refer to Note 6(20) for further details on employees' compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

	<u>For the years ended 31 December</u>	
	<u>2018</u>	<u>2017</u>
Beginning balance	\$211,619	\$46,699
Gains attributable to non-controlling interests	(41,948)	(2,383)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(2,681)	(6,714)
Non-controlling interest attributable to acquisition through business combination	-	176,918
Disposal of the shares of the subsidiary	(1,120)	(4,132)
Changes in subsidiaries' ownership	-	1,231
Acquisition of the shares of the subsidiary	(906)	-
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	59,025	-
Ending balance	<u>\$223,989</u>	<u>\$211,619</u>

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(18) Operating revenue

	For the years ended	
	31 December	
	2018	2017
Revenue from contracts with customers		
Sale of goods	\$15,437,646	\$12,843,553
Rendering of service	189,678	203,589
Other operating revenue	17,929	14,297
Total	<u>\$15,645,253</u>	<u>\$13,061,439</u>

Note: The Group adopted IFRS 15 on 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group adopted IFRS 15 on 1 January 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Total
Sale of goods	\$10,332,113	\$3,555,635	\$1,549,898	\$15,437,646
Rendering of services	158,007	31,671	-	189,678
Other operating revenues	17,169	760	-	17,929
Total	<u>\$10,507,289</u>	<u>\$3,588,066</u>	<u>\$1,549,898</u>	<u>\$15,645,253</u>
Timing of revenue recognition :				
At a point in time	\$10,507,289	\$3,588,066	\$1,549,898	\$15,645,253
Over time	-	-	-	-
Total	<u>\$10,507,289</u>	<u>\$3,588,066</u>	<u>\$1,549,898</u>	<u>\$15,645,253</u>

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(2) Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	\$153,313	\$328,405	\$175,092

For the year ended 31 December 2018, contract liabilities increased as the consideration received from customers did not satisfy its performance obligations.

(3) Transaction price allocated to unsatisfied performance obligations

As at 31 December 2018, the Group expected that all of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within one year.

(4) Assets recognized from costs to fulfil a contract

None

(19) Expected credit losses

	As of 31 December	
	2018	2017
Operation expense- Expected credit losses		
Trade receivables	\$1,061	\$ -

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2018 is as follows:

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	Not yet	Overdue					Total
	due (note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$4,359,983	\$185,637	\$22,533	\$8,524	\$6,895	\$37,430	\$4,621,002
Loss ratio	-%	-%	-%	-%	-%	30-100%	
Lifetime expected credit losses	-	-	-	-	-	(27,655)	(27,655)
Carrying amount	<u>\$4,359,983</u>	<u>\$185,637</u>	<u>\$22,533</u>	<u>\$8,524</u>	<u>\$6,895</u>	<u>\$9,775</u>	<u>\$4,593,347</u>

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables during the year ended 31 December 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$ -	\$51,620
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	51,620
Write off	-	(25,733)
Addition/(reversal) for the current period	-	1,061
Exchange difference	-	707
Ending balance	<u>\$ -</u>	<u>\$27,655</u>

(20) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2018 and 2017:

	For the years ended 31 December					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$755,356	\$1,097,325	\$1,852,681	\$739,249	\$892,196	\$1,631,445
Labor and health insurance	101,045	126,907	227,952	87,406	104,455	191,861
Pension	6,584	24,455	31,039	10,257	25,026	35,283
Other employee benefits expense	73,667	56,997	130,664	60,804	55,994	116,798
Depreciation	88,698	71,730	160,428	83,625	63,828	147,453
Amortization	9,309	35,825	45,134	9,459	29,000	38,459

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The number of employees for Company and its subsidiaries are 5,912 and 5,858 on 31 December 2018 and 2017, respectively.

According to the Articles of Incorporation, 1% to 15% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of 31 December 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2018 to be 1.44% and 0.92% of profit, respectively. The employees' compensation and remuneration to directors and supervisors for the period ended of 31 December 2018 amount to NT\$24,000 thousand and NT\$15,300 thousand respectively, recognized as employee benefits expense.

A resolution was passed at a Board of Directors meeting held on 14 March 2019 to distribute NT\$24,000 thousand and NT\$15,300 thousand in cash as employees' compensation and remuneration to directors and supervisors of 2018, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the years ended 31 December 2018 are recognized in profit or loss of the subsequent year in 2018.

The employees' compensation and remuneration to directors and supervisors for the year ended of 31 December 2017 amount to NT\$16,000 thousand and NT\$11,000 thousand respectively. No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2017.

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(21) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2018	2017
Sample income	\$44,491	\$27,342
Dividend income	18,117	17,270
Interest income		
Financial assets measured at amortized costs	11,454	11,801
Others	52,031	171,054
Total	<u>\$126,093</u>	<u>\$227,467</u>

(b) Other gains and losses

	For the years ended 31 December	
	2018	2017
Foreign exchange gains (losses), net	\$113,221	\$(136,760)
Loss on disposal of investments	-	(4,110)
Gains of financial asset at fair value through profit or loss(Note1)	38,949	11,439
Gains of financial liabilities at fair value through profit or loss(Note2)	44,727	10,063
Losses on disposal of property, plant and equipment	(4,626)	(6,450)
Other (expense) income	(32,434)	108,793
Total	<u>\$159,837</u>	<u>\$(17,025)</u>

Note:

1. Balance in current period arose from financial assets mandatorily measured at fair value through profit or loss and balance in prior period arose from held for trading investment.
2. Balances in both periods arose from held for trading investment.

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(c) Finance costs

	For the years ended 31 December	
	2018	2017
Interest on loans from bank	\$37,726	\$26,487
Interest on bonds payable	5,645	3,281
Total	<u>\$43,371</u>	<u>\$29,768</u>

(22) Components of other comprehensive income

For the year ended 31 December 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(1,170)	\$ -	\$(1,170)	\$1,624	\$454
Unrealized gains on equity instruments measured at fair value through other comprehensive income of associates and joint ventures	110,611	-	110,611	-	110,611
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,107)	-	(2,107)	-	(2,107)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(106,632)	-	(106,632)	22,757	(83,875)
Total of other comprehensive income	<u>\$702</u>	<u>\$ -</u>	<u>\$702</u>	<u>\$24,381</u>	<u>\$25,083</u>

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For the year ended 31 December 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(6,019)	\$ -	\$(6,019)	\$1,023	\$(4,996)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(120,217)	-	(120,217)	18,149	(102,068)
Unrealized gains (losses) from available-for-sale financial assets	28,973	-	28,973	-	28,973
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	13,964	-	13,964	-	13,964
Total of other comprehensive income	<u>\$(83,299)</u>	<u>\$ -</u>	<u>\$(83,299)</u>	<u>\$19,172</u>	<u>\$(64,127)</u>

(23) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2018	2017
Current income tax expense :		
Current income tax charge	\$422,390	\$418,166
Adjustments in respect of current income tax of prior periods	(24,246)	(19,081)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	131,584	(1,953)
Adjustments of prior year's deferred income tax	144	196
Reversal of deferred income tax	(2,058)	(1,872)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	20,725	-
Total income tax expense	<u>\$548,539</u>	<u>\$395,456</u>

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Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2018	2017
Deferred tax income:		
Exchange differences on translation of foreign operations	\$(22,757)	\$(18,149)
Remeasurements of defined benefit plans	(1,624)	(1,023)
Income tax relating to components of other comprehensive income	<u>\$(24,381)</u>	<u>\$(19,172)</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2018	2017
Accounting profit before tax from continuing operations	<u>\$1,920,068</u>	<u>\$1,619,544</u>
Tax at the domestic rates applicable to profits in the country concerned	384,014	\$275,322
Tax effect of revenues exempt from taxation	(55,486)	(30,722)
Tax effect of expenses not deductible for tax purposes	3,906	2,992
Tax effect of deferred tax assets/liabilities	189,009	120,158
10 % surtax on undistributed retained earnings	14,485	19,947
Tax effect of different tax rates for entities in other tax regions	15,988	26,644
Adjustments in respect of deferred income tax of prior periods	144	196
Adjustments in respect of current income tax of prior periods	(24,246)	(19,081)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	20,725	-
Total income tax expense recognized in profit or loss	<u>\$548,539</u>	<u>\$395,456</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2018

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Exchange differences	Balance as of 31 December
Temporary differences						
Exchange differences on translation of foreign operations	\$14,891	\$ -	\$22,757	\$ -	\$ -	\$37,648
Investments accounted for using the equity method	(156,340)	(128,952)	-	-	(1,331)	(286,623)
Unrealized intragroup profits and losses	5,963	1,938	-	-	-	7,901
Unrealized foreign exchange gains or losses	(3,040)	2,820	-	-	-	(220)
Loss from price recovery (reduction) of inventories	18,275	(12,257)	-	-	(121)	5,897
Revaluations of financial liabilities at fair value through profit or loss	7,119	(15,380)	-	-	-	(8,261)
Remeasurements of defined benefit plans	7,877	-	1,624	-	-	9,501
Non-current liability – Defined benefit liability	8,576	293	-	-	1,184	10,053
Deferred income-government grants	4,065	(95)	-	-	(94)	3,876
Accumulated losses	4,273	2,814	-	-	-	7,087
Loss allowance	709	265	-	-	-	974
Convertible bonds	(825)	(227)	-	-	-	(1,052)
Depreciation	(513)	(1,614)	-	-	42	(2,085)
Deferred tax (income) /expense		<u>\$(150,395)</u>	<u>\$24,381</u>	<u>\$ -</u>	<u>\$(320)</u>	
Net deferred tax assets (liabilities)	<u>\$(88,970)</u>					<u>\$215,304</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$71,748</u>					<u>\$82,937</u>
Deferred tax liabilities	<u>\$160,718</u>					<u>\$298,241</u>

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	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition through business combinations	Exchange differences	Balance as of 31 December
Temporary differences						
Exchange differences on translation of foreign operations	\$(3,258)	\$ -	\$18,149	\$ -	\$ -	\$14,891
Investments accounted for using the equity method	(135,578)	606	-	(21,277)	(91)	(156,340)
Unrealized intragroup profits and losses	3,989	1,974	-	-	-	5,963
Unrealized foreign exchange gains or losses	(878)	(2,172)	-	-	10	(3,040)
Loss from price recovery (reduction) of inventories	13,332	5,008	-	-	(65)	18,275
Revaluations of financial liabilities at fair value through profit or loss	10,573	(2,928)	-	-	(526)	7,119
Remeasurements of defined benefit plans	6,854	-	1,023	-	-	7,887
Non-current liability -- Defined benefit Liability	7,315	(13)	-	1,097	177	8,576
Deferred income-government grants	4,214	(93)	-	-	(56)	4,065
Accumulated losses	2,401	1,872	-	-	-	4,273
Allowance for doubtful accounts	402	307	-	-	-	709
Convertible bonds	(397)	(428)	-	-	-	(825)
Depreciation	-	(504)	-	-	(9)	(513)
Deferred tax (income)/ expense		<u>\$3,629</u>	<u>\$19,172</u>	<u>\$(20,180)</u>	<u>\$(560)</u>	
Net deferred tax asstes (liabilities)	<u>\$(91,031)</u>					<u>\$(88,970)</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$49,089</u>					<u>\$71,748</u>
Deferred tax liabilities	<u>\$140,120</u>					<u>\$160,718</u>

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Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company shall recognize the relevant deferred income tax liabilities for the income tax payable that may arise when the undistributed surplus of a foreign subsidiary is remitted back, in accordance with the undistributed surplus expected to be allocated by the future subsidiary.

The assessment of income tax returns

As of 31 December 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2016
Subsidiary- Kwan-Ze Corporation Ltd.	Assessed and approved up to 2016
Subsidiary- T-CONN Precision Co., Ltd.	Assessed and approved up to 2016
Subsidiary- Radbon Avionics Inc..	Assessed and approved up to 2016

(24) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the years ended 31 December	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	<u>\$1,413,477</u>	<u>\$1,226,471</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>225,685</u>	<u>225,416</u>
Basic earnings per share (NT\$)	<u>\$6.26</u>	<u>\$5.44</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company	\$1,413,477	\$1,226,471
Add: Interest expense from convertible bonds	<u>4,516</u>	<u>2,723</u>
Profit attributable to ordinary equity holders of the Company after dilution	<u>\$1,417,993</u>	<u>\$1,229,194</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	225,685	225,416
Effect of dilution:		
Employee compensation-stock (in thousands)	290	185
Convertible bonds (in thousands)	<u>6,352</u>	<u>3,905</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>232,327</u>	<u>229,506</u>
Diluted earnings per share (NT\$)	<u>\$6.10</u>	<u>\$5.36</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date of completion of the financial statements.

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(25) Business Combinations

Acquisition of Sinbon Electronic

On 20 July 2017, the Group acquired 51% interest in its subsidiary - Sinbon Electronic. Sinbon Electronic is a holding company that invests in Europe. The Group acquired Sinbon Electronic so that its subsidiaries, ET Hungary and ET Germany, can help expand the Group's business in Europe.

The Group has selected to measure the non-controlling interest of Sinbon Electronic at fair value.

The fair value of the identifiable assets and liabilities of Sinbon Electronic at the date of acquisition were:

	<u>Amount</u>
<u>Asset</u>	
Cash on hand & demand deposits	\$99,670
Account receivable	47,540
Other receivable	456
Inventories	46,562
Prepayments	1,762
Other current assets	20,556
Property, plant and equipment	208,778
Intangible Assets	46,048
Deferred tax assets	1,097
	<u>472,469</u>
<u>Liabilities</u>	
Account payable	47,676
Other payable	23,660
Other current liabilities	18,801
Deferred tax liabilities	21,277
	<u>111,414</u>
Identifiable net assets	<u><u>\$361,055</u></u>

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Acquisition consideration

Cash flow analysis of acquisition:	<u>Amount</u>
Transaction costs of the acquisition	\$(184,139)
Net cash acquired with the subsidiary	<u>99,670</u>
Net cash flow on acquisition	<u><u>\$(84,469)</u></u>

(26) Additional information of cash flow

The effects of disposal of subsidiaries in 2017 were as follows:

On 30 September 2017, the Company disposed of 51% interest in its subsidiary - JPSB and lost control of the entity. The cash consideration was NT\$3,975 thousand and the Company has recognized loss on disposal of investment amounting to NT\$(4,151) thousand, which was recorded in the statements of comprehensive income.

The book value of the identifiable assets and liabilities of JPSB as of 30 September 2017 were:

<u>Asset</u>	<u>Amount</u>
Cash on hand & demand deposits	\$15,931
Financial assets held for trading	1,356
Account receivable	10,348
Other receivable	474
Inventories	5,459
Prepayments	2,954
Other current assets	3,051
Property, plant and equipment	14,588
Other non-current assets	<u>2,915</u>
	<u>57,076</u>
<u>Liabilities</u>	
Account payables	(21,591)
Other payables	(577)
Other current liabilities	(13)
Long-term loan	<u>(21,122)</u>
	<u>(43,303)</u>
The net asset disposition	<u><u>\$13,773</u></u>

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(1) Gain on disposal of subsidiaries

	Amount
The consideration in cash and cash equivalents	\$3,975
The net asset value of the sale	13,773
Less: Non-controlling interests	(4,132)
Less: Reclassified	(2,066)
Exchange differences on translation of foreign operations	551
Loss on disposal of subsidiaries	<u><u>\$(4,151)</u></u>

(2) Net cash outflow from disposal of subsidiaries

	Amount
The consideration in cash and cash equivalents	\$3,975
Less: Disposition of cash and cash equivalents balances	(15,931)
Net cash outflow from disposal of subsidiaries	<u><u>\$(11,956)</u></u>

(27) Change of Ownership of subsidiaries

Acquisition of issued shares of subsidiaries

On 18 January 2018, the Group further acquired 10% shares with voting rights from Radbon which is a sub-subsidiary of the Group. Thus, the Group increased its ownership in the entity to 100%. Cash paid to non-controlling interest shareholder amounted to NT\$1,426 thousand. Net asset of Ray Service was NT\$9,060 thousand. The additional equity information such as reduction of non-controlling interests and adjustment of other comprehensive income or loss are as follows:

	Amount
Cash consideration paid to the non-controlling shareholders	\$1,426
Reduction of non-controlling interests	(906)
Difference in additional paid-in capital from investee under equity method	<u><u>\$520</u></u>

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Acquisition of new shares in a subsidiary not proportionate to ownership interest

Radbon issued new shares on 27 June 2018, however the Group did not purchase the new shares according to its shareholding percentage, consequently the ownership interest in Radbon was reduced to 55%. The Group received additional intangible assets from the issuance of new shares in the amount of NT\$27,000 thousand. The carrying amount of Radbon's net assets was NT\$60,000 thousand. The following table is a schedule of interest disposed of by Radbon including changes in non-controlling interests:

	<u>Amount</u>
Additional intangible assets received from the issuance of new shares	\$(27,000)
Increase to non-controlling interests	<u>27,000</u>
Difference recognized in capital surplus or retained earning within equity	<u>\$ -</u>

On 9 November 2018, T-CONN raised capital; however, the Company did not acquire shares of T-Conn according to the shareholding percentage. Therefore, the Company's ownership dropped to 62.25%, thereby increasing the non-controlling interest by NT\$32,458 thousand.

7. Related party transactions

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Argosy Research Inc.	Associate
Hebang Electron (Suzhou) Co. (Note)	Substantive related party
Shanghai Huangze Electronic Co., Ltd.	Substantive related party
Hebang Electron (China) Co. (Note)	Substantive related party
INPAQ Technology Co., Ltd. (Note)	Associate
Circuits & Cables LLC	Associate

Note: On 30 June 2017, the Company stepped down as a board director of the company and became a nonrelated party.

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(a) Sales

	For the years ended	
	31 December	
	2018	2017
Associates		
Others	\$9,983	\$16,211
Other related parties		
Others	-	2
Total	<u>\$9,983</u>	<u>\$16,213</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection periods for domestic sales to related parties were month-end 60~120 days, while the term for overseas sales was net 45~75 days. The outstanding balance as of 31 December 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(b) Purchases

	For the years ended	
	31 December	
	2018	2017
Associates		
Others	\$2,177	\$1,510
Other related parties		
Others	115	20,887
Total	<u>\$2,292</u>	<u>\$22,397</u>

The purchase price from the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers were comparable with third party suppliers and were set between one to four months.

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(c) Accounts Receivable-Related Parties

	As of 31 December	
	2018	2017
Associates		
Others	\$2,027	\$10,833

(d) Other Receivables-Related Parties

	For the years ended 31 December	
	2018	2017
Associates		
Others	\$1,752	\$47

(e) Accounts payable-related parties

	For the years ended 31 December	
	2018	2017
Associates		
Others	\$183	\$228
Other related parties		
Others	-	12
Total	\$183	\$240

(f) Key management personnel compensation

	For the years ended 31 December	
	2018	2017
Short-term employee benefits	\$176,475	\$159,195
Post-employment benefits	31,039	35,283
Total	\$207,514	\$194,478

8. Assets pledged as security

None.

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9. Significant contingencies and unrecognized contract commitments

The Company provided guarantees for subsidiaries' financing to banks for the years ended 31 December 2018. Please refer to Note 13.(1)(b).

10. Significant disaster loss

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2018	2017
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$171,099	(Note1)
Held for trading	(Note1)	\$61,630
Financial assets at fair value through other comprehensive income	276,727	(Note1)
Available-for-sale financial assets :		
Financial assets at fair value	(Note1)	137,900
Financial assets at cost-noncurrent	(Note1)	369,608
Subtotal	(Note1)	507,508
Financial assets measured at amortized cost (Note 2)	7,378,464	(Note1)
Loans and receivables(Note 2):	(Note1)	6,697,725
Total	7,826,290	\$7,266,863

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Financial liabilities

	As of 31 December	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	\$1,804,995	\$1,594,624
Notes and accounts payable	3,337,688	2,720,958
Bonds payable (including current portion with maturity less than 1 year)	404,554	483,621
Long-term loans (including current portion with maturity less than 1 year)	10,041	-
Others payables	875,407	783,172
Subtotal	6,432,685	5,582,375
Financial liabilities at fair value through profit or loss:		
Held for trading	-	44,727
Total	\$6,432,685	\$5,627,102

Note:

- (1) The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.
- (2) Including cash and cash equivalents, notes receivable, trade receivables and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

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(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB.

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Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit.

Pre-tax sensitivity analysis of changes in related risk factors for the years ended 31 December 2018 and 2017 are as follows:

For the year ended 31 December 2018

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/- \$16,917	+/- \$251
	NTD/RMB rate +/- 1%	+/- \$115	+/- \$9,712
Interest rate risk	Market rate +/- 10 basis points	+/- \$1,609	-

For the year ended 31 December 2017

Main Risk	Fluctuation	Sensitivity of profit/loss	Sensitivity of equity
Foreign currency risk	NTD/USD rate +/- 1%	+/- \$15,846	+/- \$(346)
	NTD/RMB rate +/- 1%	+/- \$498	+/- \$9,307
Interest rate risk	Market rate +/- 10 basis points	+/- \$1,631	-

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Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 10% in the price of the listed equity securities, mandatorily measured at could increase/decrease the Group's profit for the year ended 31 December 2017 by NT\$13,790 thousand.

At the reporting date, a change of 10% in the price of the listed equity securities, equity instrument measured at fair value through other comprehensive income could increase/decrease the Group's equity for the year ended 31 December 2018 by NT\$1,570 thousand.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of 31 December 2018 and 2017, amounts receivables from top ten customers represented 22% and 21% of the total accounts receivables of the Group. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

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Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2018					
Loans	\$1,831,295	\$4,823	\$2,871	\$ -	\$1,838,989
Notes and accounts payable	3,337,688	-	-	-	3,337,688
Convertible bonds	408,610	-	-	-	408,610
As of 31 December 2017					
Loans	\$1,613,940	\$ -	\$ -	\$ -	\$1,613,940
Notes and accounts payable	2,720,958	-	-	-	2,720,958
Convertible bonds	-	505,013	-	-	505,013

Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2018					
Cross Currency Swap					
Inflows	\$853,959	\$ -	\$ -	\$ -	\$853,959
Outflows	(851,675)	-	-	-	(851,675)
Net	<u>\$2,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,284</u>
As of 31 December 2017					
Cross currency swap					
Inflows	\$1,750,269	\$ -	\$ -	\$ -	\$1,750,269
Outflows	(1,629,072)	-	-	-	(1,629,072)
Net	<u>\$121,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$121,197</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

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(6) Reconciliation of liabilities from financing activities

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term loans	Long-term deferred income	Long-term loan(including maturity within a year)	Deposits received	Total liabilities from financing activities
As of 1 January 2018	\$1,594,624	\$16,256	\$ -	\$ -	\$1,610,880
Cash flow	210,371	(377)	10,041	13,428	233,463
Currency change	-	(374)	-	-	(374)
As of 31 December 2018	<u>\$1,804,995</u>	<u>\$15,505</u>	<u>\$10,041</u>	<u>\$13,428</u>	<u>\$1,843,969</u>

Reconciliation of liabilities for the year ended 31 December 2018:

Not applicable

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

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- c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(9) for fair value measurement hierarchy for financial instruments of the Group.

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(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts, cross currency swap and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2018 and 31 December 2017 is as follows:

Cross currency swaps and currency option contracts

The Group entered into cross currency swaps to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to cross currency swaps option:

Items (by contract)	Notional Amount (in thousands)	Contract Period
As of 31 December 2018		
Cross currency swaps	USD 28,000	2 January 2018 – 13 March 2019
As of 31 December 2017		
Cross currency swaps	USD 53,000	14 January 2016 – 22 March 2018

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and were carried at fair value through profit or loss. Please refer to Note 6(14) for further information on this transaction.

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

The forward exchange contracts, Cross currency swaps and currency option contracts have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

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(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$158,548	\$ -	\$ -	\$158,548
Stock	2,596	-	-	2,596
Cross currency swaps	-	9,873	-	9,873
Embedded derivatives-bond	-	82	-	82
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	15,698	-	261,029	276,727

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As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$57,849	\$ -	\$ -	\$57,849
Stock	3,781	-	-	3,781
Available-for-sale financial assets:				
Stock	132,170	-	-	132,170
Beneficiary certification	5,730	-	-	5,730
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Cross currency swap	\$ -	\$44,427	\$ -	\$44,427
Embedded derivative - bond	-	300	-	300

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets
	At fair value through other comprehensive income
	Stocks
Beginning balances as of 1 January 2018	\$231,424
Total gains and losses recognized for the year ended 31 December 2018:	
Amount recognized in OCI (presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	36,804
The return of paid-in capital for capital reduction	(7,199)
Ending balances as of 31 December 2018	\$261,029

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Stocks and others	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Group's profit or loss by NT\$26,103 thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method (please refer to Note 6(9))	\$526,199	\$ -	\$ -	\$526,199

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As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investments accounted for using the equity method(please refer to Note 6(9))	\$561,337	\$ -	\$ -	\$561,337

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2018			As of 31 December 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$101,785	30.73	\$3,128,157	\$100,384	29.85	\$2,996,253
RMB	558,943	4.48	2,501,964	490,382	4.58	2,247,687
EUR	3,066	35.20	107,940	2,515	35.67	89,733
<u>Financial liabilities</u>						
Monetary items:						
USD	45,923	30.73	1,411,342	48,451	29.85	1,446,171
RMB	339,406	4.48	1,519,250	286,322	4.58	1,312,366
EUR	661	35.20	23,281	565	35.67	20,167

The Company has a number of different functional currencies; therefore, we are unable to disclose the exchange loss and gain of monetary financial assets and financial liabilities under each foreign currency that has significant impact. The Company had NT\$113,221 thousand and NT\$(136,760) thousand foreign exchange gains(losses) for the years ended 31 December 2017 and 2018, respectively.

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

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(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders or issue new shares.

(12) Transfer of financial assets information

Part of the Group's notes receivable have been signed into with recourse contracts with financial institutions. Yet the Group transferred the cash flow rights of such receivables, the company still bear the credit risk that notes receivable can not be collected, which does not meet the derecognition of financial assets. The transaction related information is as follows:

Counterparty	Amount to be transferred	Amount have been advanced (note)
BOCOM Beijing Development Zone Branch	\$247,715	\$247,715
HSBC Bank (China) Co., Ltd. Beijing Branch	182,595	182,595

Note: Recorded in short-term loans

13. Other disclosure

(1) Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2018:
Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the year ended 31 December 2018: Please refer to Attachment 2.

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- (c) Securities held as of 31 December 2018: Please refer to Attachment 3.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2018: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended 31 December 2018: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.
 - (g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2018: Please refer to Attachment 4.
 - (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of year ended 31 December 2018: Please refer to Attachment 5.
 - (i) Financial instruments and derivative transactions: Please refer to Note 12. (8).
 - (j) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 6.
- (2) Information on investees:

Names, locations, main businesses and products, original investment amount, investment as of 31 December 2018, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2018: Please refer to Attachment 7.

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(3) Information on investments in mainland China

- (a) Investment in Mainland China: Please refer to Attachment 8.
- (b) Significant transactions through third regions with the investees in Mainland China:
 - i. Purchases amount and percentage, and related ending balance and percentage of payables: Please refer to Attachment 4.
 - ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: None.
 - iii. Property transaction amount and occurred gain (loss): None.
 - iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
 - v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
 - vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

14. Segment information

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (1) DMIS: The segment focuses on manufacturing and sale of cable assemblies.
- (2) Component: The segment is in charge of selling various electronic connectors and electronic components.
- (3) Headquarter Operating: The segment focuses on managing investment and other businesses beyond the scopes of DMIS and Component segments.

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Operating segments are not aggregated to be reported as aforementioned operating segments.

The management monitors the operation results of its business units individually to make decisions on resource allocation and performance assessment. Segment performance is evaluated by its operating profit or loss and is measured in consistence with the operating profit or loss in the consolidated financial statements. However, the income taxes are managed on a consolidated basis and are not allocated to operating units.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Information on profit or loss, assets and liabilities of the reportable segment:

For the year ended 31 December 2018

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and Cancellation (Note)	Consolidated
Revenue					
External customer	\$10,507,289	\$3,588,066	\$1,549,898	\$ -	\$15,645,253
Inter-segment	3,065,127	21,504	391,346	(3,477,977)	-
Total revenue	<u>\$13,572,416</u>	<u>\$3,609,570</u>	<u>\$1,941,244</u>	<u>\$(3,477,977)</u>	<u>\$15,645,253</u>
Segment profit	<u>\$1,964,685</u>	<u>\$414,691</u>	<u>\$(459,308)</u>	<u>\$ -</u>	<u>\$1,920,068</u>

Note: Inter-segment revenues were eliminated when consolidated.

For the year ended 31 December 2017

	Cable Segment	Electronic Segment	Management Operation Segment	Adjustment and Cancellation (Note)	Consolidated
Revenue					
External customer	\$8,553,201	\$3,649,534	\$858,704	\$ -	\$13,061,439
Inter-segment	2,528,107	20,532	285,295	(2,833,934)	-
Total revenue	<u>\$11,081,308</u>	<u>\$3,670,066</u>	<u>\$1,143,999</u>	<u>\$(2,833,934)</u>	<u>\$13,061,439</u>
Segment profit	<u>\$1,487,244</u>	<u>\$330,294</u>	<u>\$(197,994)</u>	<u>\$ -</u>	<u>\$1,619,544</u>

SINBON ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Note: Inter-segment revenues were eliminated when consolidated.

Information on assets and liabilities of the operating segment as of 31 December 2018 and 31 December 2017 are as follows:

Segment Assets:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and Elimination	Consolidated
31 December 2018	\$8,202,295	\$1,934,106	\$1,245,919	\$11,382,320	\$2,819,216	\$14,201,536
31 December 2017	\$6,280,117	\$1,671,415	\$1,125,084	\$9,076,616	\$3,442,861	\$12,519,477

Segment Liabilities:

	Cable Segment	Electronic Segment	Management Operation Segment	Subtotal	Adjustment and Elimination	Consolidated
31 December 2018	\$4,573,586	\$1,428,858	\$1,313,950	\$7,316,394	\$88,510	\$7,404,904
31 December 2017	\$3,550,080	\$1,326,561	\$1,257,284	\$6,133,925	\$89,296	\$6,223,221

(a) Geographical information

i. Revenue from external customers:

	For the years ended 31 December	
	2018	2017
Mainland China (Hong Kong)	\$9,269,754	\$7,251,594
United States	2,414,415	1,915,252
Taiwan	780,945	698,608
Other countries	3,180,139	3,195,985
Total	\$15,645,253	\$13,061,439

The revenue information above is based on the location of the customers.

ii. Non-current assets:

	As of 31 December	
	2018	2017
Mainland China	\$1,314,091	\$1,144,254
Taiwan	1,229,336	1,338,568
United States	35,943	50,956
Other	260,618	269,581
Total	\$2,839,988	\$2,803,359

(b) Information about major customers

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There's no sales revenue from a single customer accounting for over 10% of revenue on income statement for the years ended 31 December 2018 and 2017.

Attachment 1: Financing provided to others for the three-month period ended 31 December 2018

No.	Lender (Note 1)	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note2)	Limit of total financing amount (Note3)
													Item	Value		
\$1	BJSB	BJSB Tongan	Other receivables	Y	\$46,836	\$44,762	\$ -	0.00%	Note 4	\$ -	Need for operating	\$ -	-	\$ -	\$91,188	\$91,188
\$2	Kwan-Ze	Radbon	Other receivables	Y	\$15,000	\$15,000	-	0.00%	Note 4	\$ -	Need for operating	\$ -	-	\$ -	\$139,471	\$139,471

Note 1: The above transactions were all made between consolidated entities in the Group and have been reversed.

Note 2: BJSB's financing limit for BJSB Tongan was set at 40% of the lender's net worth of the financial report audited by the certified public accountants as of 31 December 2018.

\$227,971*40%=\$91,188

Kwan-Ze's financing limit for Ray Service was set at 40% of the lender's net worth of the financial report audited by the certified public accountants as of 31 December 2018.

\$348,677*40%=\$139,471

Note 3: Total financing limit for individual counterparty was set at 40% of the lender's net worth of the financial report audited by the certified public accountants as of 31 December 2018.

BJSB : \$227,971*40%=\$91,188

Kwan-Ze : \$348,677*40%=\$139,471

Note 4: For short-term financing.

Attachment 2: Endorsement/Guarantee provided to others as of 31 December 2018

No. (Note 1)	Endorser/ Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount (Note 4)	Parent company's guarantee/ endorsement amount to subsidiaries (Note 5)	Subsidiaries' guarantee/ endorsement amount to parent company (Note 5)	Guarantee/ endorsement amount to company in Mainland China (Note 5)
		Company name	Relationship (Note 2)										
0	The Company	SHSB	2	\$2,629,057	\$46,452	\$46,100	\$ -	none	0.70%	\$6,572,643	Y	N	Y
0	The Company	SZSB	2	\$2,629,057	\$15,484	\$15,366	\$ -	none	0.23%	\$6,572,643	Y	N	Y
0	The Company	TCSB	2	\$2,629,057	\$170,324	\$169,032	\$ -	none	2.57%	\$6,572,643	Y	N	Y
0	The Company	EM	2	\$2,629,057	\$201,292	\$199,764	\$ -	none	3.04%	\$6,572,643	Y	N	Y
0	The Company	JYSB	2	\$2,629,057	\$371,616	\$368,796	\$ -	none	5.61%	\$6,572,643	Y	N	Y
0	The Company	BJSB Tongan	2	\$2,629,057	\$735,321	\$444,291	\$ -	none	6.76%	\$6,572,643	Y	N	Y
0	The Company	T-CONN Precision	2	\$2,629,057	\$177,420	\$176,832	\$ -	none	2.69%	\$6,572,643	Y	N	N
0	The Company	ET Hungary	2	\$2,629,057	\$257,924	\$254,804	\$141,516	none	3.88%	\$6,572,643	Y	N	N
0	The Company	T-CONN Zhongshan	2	\$2,629,057	\$417,011	\$414,896	\$70,682	none	6.31%	\$6,572,643	Y	N	Y
0	The Company	Radbon	2	\$2,629,057	\$50,000	\$50,000	\$30,000	none	0.76%	\$6,572,643	Y	N	N

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, the receiving parties shall be disclosed as one of the following:

1. A company with which it does business.

2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.

3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.

4. A company in which the public company holds, directly or indirectly, 90 percent or more of the voting shares.

5. A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Limit of guarantee/endorsement amount for receiving party is 40% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2018.
\$6,572,643 × 40% = \$2,629,057

Note 4: Limit of total guarantee/ endorsement amount is 100% of the net worth of the financial report reviewed by the certified public accountants as of 31 December 2018.

Note 5: "Y" for the listed (OTC) parent company guarantees/endorsees for subsidiary, subsidiary guarantees/endorsees for the listed (OTC) parent company or guarantee/endorse for companies in Mainland China.

Attachment 3: Securities held as of 31 December 2018. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities	Relationship (Note 1)	Financial statement account	as of 31 December 2018				Note
				Shares	Book value	Percentage of ownership (%)	Fair value	
The Company	Chengding Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	15,000,000 shares	\$103,372	11.11%	\$103,372	-
The Company	Top Taiwan Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	6,000,000 shares	57,359	7.50%	57,359	-
Kwan-Ze	Chengding Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	5,000,000 shares	34,426	3.70%	34,426	-
The Company	Dynahz Technologies	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	2,771,670 shares	32,470	16.67%	32,470	-
The Company	Top Taiwan VII Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	1,897,960 shares	18,684	3.06%	18,684	-
The Company	Gongwin Biopharm Holdings Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	235,000 shares	15,698	0.25%	15,698	-
Kwan-Ze	Actmax Technologies Inc.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	-	4,890	19.00%	4,890	-
The Company	Top Taiwan III Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	691,057 shares	4,287	4.07%	4,287	-
The Company	Top Taiwan II Venture Capital Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	347,500 shares	2,235	5.00%	2,235	-
Sinbon USA L.L.C	HOTWIRE Development LLC		Equity instrument investments measured at fair value through other comprehensive income-Non-current	697,500 shares	1,962	5.00%	1,962	-
The Company	Bandrich, Inc.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	330,000 shares	549	1.62%	549	-
The Company	Japen Sinbon Electronics Co., Ltd.	-	Equity instrument investments measured at fair value through other comprehensive income-Non-current	75 shares	795	15.00%	795	-
The Company	Nextronics Engineering Corp.	-	Financial asset measured at fair value through profit or loss-current	2,950 shares	77,438	9.94%	77,438	
The Company	Cayman Lan-Cheng Fund	-	Financial asset measured at fair value through profit or loss-current	30 shares	76,634	17.14%	76,634	
T - CONN	Funds Beneficiary Certificate	-	Financial asset measured at fair value through profit or loss-current	-	4,476	-	4,476	
The Company	Trutankless, Inc.		Financial asset measured at fair value through profit or loss-current	162 shares	2,596	-	2,596	
Total					437,871			

Note 1: Not required if the issuer of securities is not a related party.

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2018

Related party	Counterparty	Relationship	Intercompany Transactions			Terms	Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)		Unit price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	JYSB	Subsidiary	Purchase	\$1,595,777	42.37%	Trading condition is as same as other supplier	N/A	N/A	\$(287,872)	(32.23)%	
HKSB	JYSB	Associates	Purchase	\$707,104	33.02%	Trading condition is as same as other supplier	N/A	N/A	\$(183,370)	(31.39)%	
T-CONN	SPL	Associates	Purchase	\$127,757	19.26%	Trading condition is as same as other supplier	N/A	N/A	\$(23,072)	(12.60)%	
T-CONN	T-CONN Zhongshan	Associates	Purchase	\$260,190	39.22%	Trading condition is as same as other supplier	N/A	N/A	\$(32,711)	(17.86)%	
EM	BJSB Tongan	Associates	Purchase	\$139,238	26.52%	Trading condition is as same as other supplier	N/A	N/A	\$(158,574)	(38.95)%	
JYSB	Simbon USA	Associates	Purchase	\$104,223	2.61%	Trading condition is as same as other supplier	N/A	N/A	\$(11,841)	(0.94)%	
BJSB Tongan	EM	Associates	Purchase	\$121,865	5.99%	Trading condition is as same as other supplier	N/A	N/A	\$(69,056)	(9.45)%	

Attachment 5: Receivables from related parties with accounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2018

Related party	Counterparty	Relationship	Amount	Average collection turnover	Overdue account receivable-related parties		Collection in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
JYSB	The Company	Subsidiary	\$287,872	4.8	\$ -	-	\$44,630	\$ -
JYSB	HKSB	Associates	\$183,370	4.0	\$ -	-	\$26,767	\$ -
BJSB Tongan	EM	Associates	\$158,574	1.8	\$ -	-	-	\$ -

Attachment 6: The business relationship, significant transactions and amounts between parent company and subsidiaries

No. (Note 1)	Related-party	Counter-party	Relationship with the Company (Note 2)	Transactions		
				Account	Amount	Terms Percentage of consolidated operating revenues or consolidated total assets (Note3)
0	The Company	JYSB	1	Purchase	\$1,595,777	(Note 4) 10.20%
1	JYSB	The Company	2	Sales	\$1,595,777	(Note 4) 10.20%
1	JYSB	HKSB	3	Sales	\$707,104	(Note 4) 4.52%
2	HKSB	JYSB	3	Purchase	\$707,104	(Note 4) 4.52%
3	SPL	T-CONN Precision	3	Sales	\$127,757	(Note 4) 0.82%
4	T-CONN	SPL	3	Purchase	\$127,757	(Note 4) 0.82%
4	T-CONN	T-CONN Zhongshan	3	Purchase	\$260,190	(Note 4) 1.66%
5	T-CONN Zhongshan	T-CONN	3	Sales	\$260,190	(Note 4) 1.66%
6	EM	BJSB Tongan	3	Purchase	\$139,238	(Note 5) 0.89%
7	BJSB Tongan	EM	3	Sales	\$139,238	(Note 6) 0.89%
1	JYSB	Sinbon USA	3	Purchase	\$104,223	(Note 7) 0.67%
8	Sinbon USA	JYSB	3	Sales	\$104,223	(Note 8) 0.67%
7	BJSB Tongan	EM	3	Purchase	\$121,865	(Note 9) 0.78%
6	EM	BJSB Tongan	3	Sales	\$121,865	(Note 10) 0.78%

Note 1 : The Company is coded "0". The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2 : Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3 : The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, interim cumulative balances are used as basis.

Note 4 : The sales price to the above related parties was determined through mutual agreement based on the market conditions.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2018: (Excluding investment in Mainland China)

Investor	Investee company (Note 1)	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2018			Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value		
The Company	HKSB	Hong Kong	Manufacturing and selling a wide variety of connectors, wires and cables.	HKD95,606,000 \$401,262	HKD95,606,000 \$401,262	-	100.00%	\$477,520	\$71,274	Subsidiary
The Company	Kwan-Ze	New Taipei City, Taiwan	Holding company	\$235,600	\$235,600	23,560,000 shares	100.00%	\$348,679	\$53,981	Subsidiary
The Company	Top Taiwan IV Venture Capital Co., Ltd	Taipei City, Taiwan	Holding company	\$22,400	\$40,000	2,240,000 shares	20.00%	\$24,061	\$4	Investee under the equity method
The Company	SB BVI	British Virgin Islands	Holding company	USD45,021,000 \$1,461,158	USD40,021,000 \$1,309,185	-	100.00%	\$3,663,702	\$465,726	Subsidiary
The Company	Argosy Technologies Co., Ltd.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$30,648	\$30,648	2,945,034 shares	3.59%	\$49,210	\$295,644	Investee under the equity method
The Company	Worldwide Wire Harnesses Co., Ltd.	Samoa	Logistic center.	\$ -	USD75,000 \$2,451	-	-	-	\$ (9,595)	Subsidiary
The Company	S E L	Mauritius	Holding company	USD3,726,000 \$120,732	USD 4,233,000 \$136,361	-	64.48%	\$108	\$ (8)	Subsidiary
The Company	Sinbon USA LLC	216th street SW Suite D Lynneood WA 98036	Logistic center.	USD4,059,000 \$128,061	USD3,000,000 \$93,412	-	100.00%	\$61,182	\$ (9,860)	Subsidiary
The Company	Sinbon Europe GmbH	Pfarrkirchen, Germany	Logistic center.	EUR5,209,000 \$185,241	EUR5,209,000 \$185,241	-	100.00%	\$110,496	\$ (50,628)	Subsidiary
The Company	Radbon	Miaoli County, Taiwan	Manufacturing and selling signal cables and cabin wiring.	\$33,000	\$27,000	3,300,000 shares	55.00%	\$30,527	\$ (4,494)	Subsidiary
The Company	T-CONN	New Taipei City, Taiwan	Manufacturing and selling a wide variety of connectors, wires and cables.	\$116,804	\$56,510	11,308,970 shares	62.52%	\$153,467	\$37,730	Subsidiary
T-CONN	S P L	Mauritius	Logistic center.	\$3,039	\$3,039	-	100.00%	\$23,748	\$5,693	Subsidiary
Sinbon USA LLC	Circuits & Cables LLC (C&C)	815 South Brown School Road Vandalia, OH 45377, USA	Selling a wide variety of connectors and cables.	USD 1,604,000	USD 1,604,000	-	40.00%	\$32,181	USD(1,344,000) \$(40,545)	Investee under the equity method
Sinbon USA L.L.C	Worldwide Wire Harnesses Co., Ltd	Samoa	Logistic center.	USD 75,000	\$ -	-	50.00%	\$1,799	\$ (9,595)	Subsidiary
Kwan-Ze	Digi O2	Miaoli Country, Taiwan	Selling a wide variety of connectors and cables.	\$ -	\$108,770	-	-	\$ -	\$ -	Subsidiary

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2018: (Excluding investment in Mainland China)

Investor	Investee company (Note1)	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2018			Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares	Percentage of ownership (%)	Book value		
Kwan-Ze	Argoey Research Inc.	Hsinchu City, Taiwan	Produce and sells a variety of electronic components, computers and peripheral equipment	\$147,175	\$147,175	14,624,200 shares	17.81%	\$248,651	\$ -	Investee under the equity method
Worldwide Wire Harnesses Co., Ltd.	STT	U.S.A Tennessee	Logistic center.	USD 140,000	USD 140,000	-	50.00%	USD(133) \$(4,087)	\$ -	Subsidiary
Argoey Research Inc.	Argoey Technology Inc.(USA)	U.S.A	Sell Multimedia related products, ODM and OED	\$30,347	\$30,347	900 shares	100.00%	\$ -	\$ -	Investee under the equity method
Argoey Research Inc.	Ari International B.V.	The Netherlands	Leasing operations and sell ODM and OED	\$22,314	\$22,314	-	100.00%	\$16,338	\$ (76)	Investee under the equity method
Argoey Research Inc.	Ari International (Singapore)Pte.,Ltd. (AIS)	Singapore	Holding company	\$32,697	\$32,697	-	100.00%	\$4,571	\$ (344)	Investee under the equity method
Argoey Research Inc.	NOVAC ARGOSY	Tokyo	Sell computer peripheral products	\$4,294	\$4,294	-	49.00%	\$ -	\$ -	Investee under the equity method
Argoey Research Inc.	Global Saber Electronics Co., Ltd.	Mauritius	Selling a wide variety of connectors and cables.	\$ -	\$ -	-	100.00%	\$82,875	\$ -	Investee under the equity method
Argoey Research Inc.	ROTEC LIMITED	British Virgin Islands	Holding company	\$268,479	\$268,479	8,550 shares	77.38%	\$426,874	\$57,123	Investee under the equity method
Global Saber Electronics Co., Ltd	ROTEC LIMITED	British Virgin Islands	Holding company	\$72,918	\$72,918	2,500 shares	22.62%	\$124,785	\$57,123	Investee under the equity method
Sinbon Europe GmbH	Sinbon Elcotronc Holding GmbH	Germany	Holding company	EUR5,184,000	EUR5,184,000	-	51.00%	EUR3,116,000 \$109,676	EUR(2,602,000) \$(92,654)	Subsidiary
Sinbon Elcotronc Holding GmbH	ET Hungary	Hungary	Selling,Producing and Processing a wide variety of connectors and cables.	EUR1,080,000	EUR1,080,000	-	100.00%	EUR911,000 \$32,078	EUR(2,365,000) \$(84,206)	Subsidiary
Sinbon Elcotronc Holding GmbH	ET Germany	Germany	Logistic center.	EUR1,245,000	EUR1,245,000	-	100.00%	EUR1,258,000 \$44,271	EUR(140,000) \$(5,000)	Subsidiary

Note 1: (1) Information of "Investee company", "Address", "Main businesses and products", "Initial Investment" and "Investment as of 31 December 2018" shall be filled in the table according to the Company's reinvestmet and the to the subsidiaries' re-investment in corresponding order, and indicate the relationship in the Notes.

(2) Net income (loss) of investee shall be filled in "Net income (loss) of investee company".

(3) "Investment income (loss) recognized for the period" shall contain only investment income (loss) of all direct investees and investees under the equity method, and the investor shall confirm that its investment income (loss) of all direct investees includes the subsidiaries' re-investment.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2018	Accumulated Inward Remittance of Earnings as of 31 December 2018
					Outflow	Inflow						
BJSB	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 4,450,000	Indirectly investment in Mainland China through remittance from a third region.	USD 1,020,000 \$30,719	\$ -	\$ -	USD 1,020,000 \$30,719	\$4,925	100.00%	\$4,925 (Note 1)	\$226,114	USD11,030,000 \$351,623
JY Sinaet	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 31,780,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 22,050,000 \$705,108	\$ -	\$ -	USD 22,050,000 \$705,108	USD12,691,000 \$382,791	100.00%	USD12,691,000 \$382,791 (Note 1)	USD87,189,000 \$2,679,590	USD19,761,000 \$608,088
SHSB	Selling a wide variety of connectors, wires and cables.	USD 3,280,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,700,000 \$55,358	\$ -	\$ -	USD 1,700,000 \$55,358	USD480,000 \$14,470	100.00%	USD480,000 \$14,470 (Note 1)	USD6,285,000 \$193,142	USD1,587,000 \$48,389
SZSB	Selling a wide variety of connectors, wires and cables.	USD 2,810,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 2,750,000 \$83,385	\$ -	\$ -	USD 2,750,000 \$83,385	USD1,171,000 \$35,319	100.00%	USD1,171,000 \$35,319 (Note 1)	USD10,077,000 \$309,706	RMB13,500,000 \$61,261
TCSB	Selling a wide variety of connectors, wires and cables.	USD 14,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,000,000 \$96,090	USD 5,000,000 \$151,973	\$ -	USD 8,000,000 \$248,063	USD1,294,000 \$39,039	100.00%	USD1,294,000 \$39,039 (Note 1)	USD16,321,000 \$501,604	USD196,000 \$5,890
China Digital Library Corp.Ltd.	Technology development of computer software, transfer of technology, advisory service	RMB 88,600,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 750,000	\$ -	\$ -	USD 750,000	\$ -	4.85%	\$ - (Note 2)	\$ -	\$ -
Argosy (Beijing) Technologies Co., Ltd.	Selling a wide variety of connectors, wires and cables.	RMB 5,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 76,000	\$ -	\$ -	USD 76,000	\$ -	12.00%	\$ -	\$ -	\$ -
Wu Xi S&D	Manufacturing and selling new flat panel displays.	USD 4,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,900,000 \$61,823	\$ -	\$ -	USD 1,900,000 \$61,823	\$ -	-	\$ -	\$ -	\$ -
Ning Bo Smart and Diligent Co., Ltd.	Manufacturing and selling a new Flat Panel Display.	USD 2,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 1,140,000 \$37,025	\$ -	\$ -	USD 1,140,000 \$37,025	\$ -	-	\$ -	\$ -	\$ -
JY Sinaet	Manufacturing and selling a wide variety of electronic materials.	USD 9,500,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 5,266,000 \$164,599	\$ -	\$ -	USD 5,266,000 \$164,599	\$ -	-	\$ -	\$ -	\$ -

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2018	Accumulated Inward Remittance of Earnings as of 31 December 2018
					Outflow	Inflow						
Shang Hai Comtek Electronics Trading Co., Ltd.	Selling a wide variety of electronic materials.	USD 160,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 104,000 \$3,302	\$ -	\$ -	USD 104,000 \$3,302	\$ -	-	\$ -	\$ -	\$ -
Dong Guan CMK	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 1,000,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 645,000 \$20,768	\$ -	\$ -	USD 645,000 \$20,768	\$ -	-	\$ -	\$ -	\$ -
T-CONN Zhongshan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 7,100,000	Indirectly investment in Mainland China through companies registered in a third region.	USD 3,086,000 \$99,007	\$ -	\$ -	USD 3,086,000 \$99,007	\$9,883	62.52%	\$9,883 (Note 3)	\$ (993)	\$ -
BJSB Tongan	Manufacturing and selling a wide variety of connectors, wires and cables.	USD 3,000,000	Indirectly investment in Mainland China through remittance from a third region.	USD 3,000,000 \$89,134	\$ -	\$ -	USD 3,000,000 \$89,134	\$378,553	100.00%	\$378,553 (Note 1)	\$1,294,388	USD4,600,000 \$138,528

Accumulated Investment in Mainland China as of 31 December 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
USD51,487,000	USD \$3,420,000	N/A (Note 4)

Note 1: Based on the financial statements certificated by the public accountant of the parent company in Taiwan.

Note 2: The financial statements were not audited by independent accounts.

Note 3: The financial statements certificated by other public accountant.

Note 4: According to No. Sten-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.