

**ALTEK CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2018 AND 2017**

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18000113

(In Thousands of New Taiwan Dollars)

To Altek Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Report by Securities Issuers” and International Accounting Standard 34 “Interim Financial Reporting” as endorsed by Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of insignificant consolidated subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of \$5,898,888 and \$4,138,671, constituting 34% and 28% of the consolidated total assets, and total liabilities of \$317,181 and \$355,857, constituting 4% and 6% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively, and total comprehensive income of \$9,868, \$40,372, \$109,215 and \$108,247,

constituting 4%, 15%, 20% and 11% of the absolute values of the consolidated total comprehensive income for the three-month and nine-month periods then ended.

As described in Note 6(6) to the consolidated financial statements, the financial statements of investments accounted for under the equity method were not reviewed by independent accountants. Equity method investments in these investee companies had book values both amounting to \$0 as of September 30, 2018 and 2017, and the related investment income both amounted to \$0 for the three-month and nine-month periods then ended. These amounts were based solely on their unreviewed financial statements.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries and equity method investees been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Tsang, Kwok-Wah

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

November 9, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets		Notes	September 30, 2018		December 31, 2017		September 30, 2017				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	5,809,297	34	\$	5,874,982	39	\$	5,757,845	38
1110	Current financial assets at fair value through profit or loss	6(2)		771,017	4		584,799	4		862,137	6
1150	Notes receivable, net	6(4)		1,733,389	10		30,335	-		-	-
1170	Accounts receivable, net	6(4)		3,089,810	18		2,342,369	16		2,143,345	14
1200	Other receivables			38,263	-		18,976	-		19,045	-
1220	Current income tax assets			1,172	-		3,339	-		6,418	-
130X	Inventories, net	6(5)		1,049,008	6		1,165,926	8		1,141,366	8
1410	Prepayments			126,902	1		176,696	1		165,726	1
1470	Other current assets			10,500	-		16,080	-		23,579	-
11XX	Current Assets			12,629,358	73		10,213,502	68		10,119,461	67
Non-current assets											
1510	Non-current financial assets at fair value through profit or loss	6(2)		10,601	-		-	-		-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)		112,668	1		-	-		-	-
1543	Non-current financial assets at cost	12(4)		-	-		138,011	1		158,019	1
1550	Investments accounted for using equity method	6(6)		-	-		-	-		-	-
1600	Property, plant and equipment, net	6(7)		3,406,993	20		3,648,788	24		4,279,724	29
1760	Investment property, net	6(8)		772,255	4		777,368	5		205,541	1
1780	Intangible assets, net	6(9)		105,746	1		121,538	1		79,864	1
1840	Deferred income tax assets			132,039	1		82,415	1		96,581	1
1900	Other non-current assets	6(10)		70,164	-		67,349	-		65,562	-
15XX	Non-current assets			4,610,466	27		4,835,469	32		4,885,291	33
1XXX	Total assets		\$	17,239,824	100	\$	15,048,971	100	\$	15,004,752	100

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
2100 Short-term borrowings	6(11)	\$ 1,645,000	10	\$ 2,021,000	14	\$ 2,366,000	16
2110 Short-term notes and bills payable	6(12)	199,814	1	199,797	2	-	-
2150 Notes payable		1,204,945	7	30,335	-	-	-
2170 Accounts payable		2,707,842	16	2,097,254	14	1,874,940	13
2200 Other payables		393,402	2	420,452	3	427,830	3
2230 Current income tax liabilities		47,211	-	62,053	-	58,194	-
2250 Provisions for liabilities - current	6(16)	36,107	-	30,177	-	49,642	-
2300 Other current liabilities		228,115	1	181,824	1	194,985	1
21XX Current Liabilities		<u>6,462,436</u>	<u>37</u>	<u>5,042,892</u>	<u>34</u>	<u>4,971,591</u>	<u>33</u>
Non-current liabilities							
2540 Long-term borrowings	6(13)	600,000	3	-	-	-	-
2550 Provisions for liabilities - noncurrent	6(16)	107,907	1	93,818	-	88,436	1
2570 Deferred income tax liabilities		446,294	3	394,939	3	416,571	3
2600 Other non-current liabilities		28,614	-	32,097	-	30,370	-
25XX Non-current liabilities		<u>1,182,815</u>	<u>7</u>	<u>520,854</u>	<u>3</u>	<u>535,377</u>	<u>4</u>
2XXX Total Liabilities		<u>7,645,251</u>	<u>44</u>	<u>5,563,746</u>	<u>37</u>	<u>5,506,968</u>	<u>37</u>
Equity attributable to owners of parent							
Share capital	6(17)						
3110 Common stock		2,740,488	16	2,738,188	18	2,738,688	19
Capital surplus	6(18)						
3200 Capital surplus		2,263,050	13	2,256,692	15	2,231,150	15
Retained earnings	6(19)						
3310 Legal reserve		1,381,094	8	1,379,754	9	1,379,754	9
3320 Special reserve		425,580	3	142,456	1	142,456	1
3350 Unappropriated retained earnings		2,449,927	14	2,737,026	18	2,729,293	18
Other equity interest	6(20)						
3400 Other equity interest		(355,698)	(2)	(302,339)	(2)	(256,434)	(2)
3500 Treasury stocks	6(17)	-	-	(96,138)	-	(129,393)	(1)
31XX Equity attributable to owners of the parent		<u>8,904,441</u>	<u>52</u>	<u>8,855,639</u>	<u>59</u>	<u>8,835,514</u>	<u>59</u>
36XX Non-controlling interest		<u>690,132</u>	<u>4</u>	<u>629,586</u>	<u>4</u>	<u>662,270</u>	<u>4</u>
3XXX Total equity		<u>9,594,573</u>	<u>56</u>	<u>9,485,225</u>	<u>63</u>	<u>9,497,784</u>	<u>63</u>
Significant contingent liabilities and unrecognised contract commitments	9						
3X2X Total liabilities and equity		<u>\$ 17,239,824</u>	<u>100</u>	<u>\$ 15,048,971</u>	<u>100</u>	<u>\$ 15,004,752</u>	<u>100</u>

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except (loss) earnings per share amount)
(UNAUDITED)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and								
	12(5)	\$ 3,086,368	100	\$ 2,634,947	100	\$ 8,877,914	100	\$ 7,769,096	100
5000 Operating costs	6(5)(25)(26)	(2,711,453)	(88)	(2,307,783)	(88)	(7,846,406)	(88)	(6,699,948)	(86)
5900 Net operating margin		<u>374,915</u>	<u>12</u>	<u>327,164</u>	<u>12</u>	<u>1,031,508</u>	<u>12</u>	<u>1,069,148</u>	<u>14</u>
Operating expenses	6(25)(26)								
6100 Selling expenses		(15,848)	-	(16,509)	-	(48,577)	(1)	(53,080)	(1)
6200 General and administrative expenses		(86,836)	(3)	(81,155)	(3)	(251,006)	(3)	(256,708)	(3)
6300 Research and development expenses		(219,589)	(7)	(204,902)	(8)	(609,958)	(7)	(688,181)	(9)
6450 Expected credit losses	12(2)	(26)	-	-	-	(1,812)	-	-	-
6000 Total operating expenses		(322,299)	(10)	(302,566)	(11)	(911,353)	(11)	(997,969)	(13)
6900 Operating profit		<u>52,616</u>	<u>2</u>	<u>24,598</u>	<u>1</u>	<u>120,155</u>	<u>1</u>	<u>71,179</u>	<u>1</u>
Non-operating income and expenses									
7010 Other income	6(22)	43,835	1	34,047	1	134,597	2	79,160	1
7020 Other gains and losses	6(23)	32,428	1	(34,202)	(1)	2,592	-	(86,045)	(1)
7050 Finance costs	6(24)	(6,408)	-	(6,257)	-	(18,749)	-	(19,807)	-
7000 Total non-operating income and expenses		<u>69,855</u>	<u>2</u>	<u>(6,412)</u>	<u>-</u>	<u>118,440</u>	<u>2</u>	<u>(26,692)</u>	<u>-</u>
7900 Profit before income tax		122,471	4	18,186	1	238,595	3	44,487	1
7950 Income tax expense	6(27)	(39,772)	(1)	(23,850)	(1)	(68,716)	(1)	(39,956)	(1)
8200 Profit (loss) for the period		<u>\$ 82,699</u>	<u>3</u>	<u>(\$ 5,664)</u>	<u>-</u>	<u>\$ 169,879</u>	<u>2</u>	<u>\$ 4,531</u>	<u>-</u>

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except (loss) earnings per share amount)
(UNAUDITED)

		Three- month periods ended September 30				Nine-month periods ended September 30			
		2018		2017		2018		2017	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains from financial assets measured at fair value through other comprehensive income	(\$ 12,169)	(1)	\$ -	-	(\$ 13,429)	-	\$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(726)	-	-	-	(845)	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss	(12,895)	(1)	-	-	(14,274)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361	Currency translation differences of foreign operations	(187,229)	(6)	54,089	2	(40,598)	-	(318,431)	(4)
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method	-	-	-	-	-	-	1,520	-
8399	Income tax relating to the components of other comprehensive income	37,309	1	(9,722)	-	20,300	-	53,977	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(149,920)	(5)	44,367	2	(20,298)	-	(262,934)	(3)
8300	Total other comprehensive income (loss) for the period	(\$ 162,815)	(6)	\$ 44,367	2	(\$ 34,572)	-	(\$ 262,934)	(3)
8500	Total comprehensive income (loss) for the period	(\$ 80,116)	(3)	\$ 38,703	2	\$ 135,307	2	(\$ 258,403)	(3)
Profit (loss), attributable to:									
8610	Owners of the parent	\$ 80,015	3	(\$ 10,385)	-	\$ 109,062	1	\$ 4,177	-
8620	Non-controlling interest	2,684	-	4,721	-	60,817	1	354	-
	Profit (loss) for the period	\$ 82,699	3	(\$ 5,664)	-	\$ 169,879	2	\$ 4,531	-
Comprehensive (loss) income attributable to:									
8710	Owners of the parent	(\$ 82,117)	(3)	\$ 37,077	2	\$ 64,754	1	(\$ 259,359)	(3)
8720	Non-controlling interest	2,001	-	1,626	-	70,553	1	956	-
	Total comprehensive income (loss) for the period	(\$ 80,116)	(3)	\$ 38,703	2	\$ 135,307	2	(\$ 258,403)	(3)
9750	Basic (loss) earnings per share	\$ 0.29		(\$ 0.04)		\$ 0.40		\$ 0.02	
9850	Diluted (loss) earnings per share	\$ 0.29		(\$ 0.04)		\$ 0.40		\$ 0.02	

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
		Retained earnings				Other equity interest						
	Notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Other equity-others	Treasury stocks	Total	Non-controlling interest	Total equity
<u>Nine-month period ended September 30, 2017</u>												
Balance at January 1, 2017		\$ 2,739,788	\$ 1,862,914	\$ 1,374,374	\$ 142,456	\$ 2,946,092	\$ 35,009	(\$ 60,530)	(\$ 129,393)	\$ 8,910,710	\$ 122,283	\$ 9,032,993
Profit for the period		-	-	-	-	4,177	-	-	-	4,177	354	4,531
Other comprehensive income (loss) for the period	6(20)	-	-	-	-	-	(263,536)	-	-	(263,536)	602	(262,934)
Total comprehensive income(loss)		-	-	-	-	4,177	(263,536)	-	-	(259,359)	956	(258,403)
Appropriation of 2016 earnings	6(19)											
Legal reserve		-	-	5,380	-	(5,380)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(215,596)	-	-	-	(215,596)	-	(215,596)
Share-based payment transactions	6(15)(17)(18)(20)	1,300	2,404	-	-	-	-	26,266	-	29,970	-	29,970
Retirement of employee restricted shares	6(15)(17)(18)(20)	(2,400)	(3,957)	-	-	-	-	6,357	-	-	-	-
Changes in ownership interests in subsidiaries	6(18)(29)	-	369,789	-	-	-	-	-	-	369,789	(369,789)	-
Non-controlling interest	6(29)	-	-	-	-	-	-	-	-	-	908,820	908,820
Balance at September 30, 2017		<u>\$ 2,738,688</u>	<u>\$ 2,231,150</u>	<u>\$ 1,379,754</u>	<u>\$ 142,456</u>	<u>\$ 2,729,293</u>	<u>(\$ 228,527)</u>	<u>(\$ 27,907)</u>	<u>(\$ 129,393)</u>	<u>\$ 8,835,514</u>	<u>\$ 662,270</u>	<u>\$ 9,497,784</u>
<u>Nine-month period ended September 30, 2018</u>												
Balance at January 1, 2018		\$ 2,738,188	\$ 2,256,692	\$ 1,379,754	\$ 142,456	\$ 2,737,026	(\$ 283,124)	(\$ 19,215)	(\$ 96,138)	\$ 8,855,639	\$ 629,586	\$ 9,485,225
Effects of retrospective application	6(20)	-	-	-	-	23,600	-	(23,600)	-	-	-	-
Equity at beginning of period after adjustments		<u>2,738,188</u>	<u>2,256,692</u>	<u>1,379,754</u>	<u>142,456</u>	<u>2,760,626</u>	<u>(283,124)</u>	<u>(42,815)</u>	<u>(96,138)</u>	<u>8,855,639</u>	<u>629,586</u>	<u>9,485,225</u>
Profit for the period		-	-	-	-	109,062	-	-	-	109,062	60,817	169,879
Other comprehensive income (loss) for the period	6(20)	-	-	-	-	(119)	(30,034)	(14,155)	-	(44,308)	9,736	(34,572)
Total comprehensive income (loss)		-	-	-	-	108,943	(30,034)	(14,155)	-	64,754	70,553	135,307
Appropriation of 2017 earnings	6(19)											
Legal reserve		-	-	1,340	-	(1,340)	-	-	-	-	-	-
Special reserve		-	-	-	283,124	(283,124)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(135,178)	-	-	-	(135,178)	-	(135,178)
Share-based payment transactions	6(15)(17)(18)(20)	3,200	6,624	-	-	-	-	12,018	-	21,842	-	21,842
Treasury stock sold to employees	6(17)(18)	-	1,246	-	-	-	-	-	96,138	97,384	-	97,384
Retirement of employee restricted shares	6(15)(17)(18)(20)	(900)	(1,512)	-	-	-	-	2,412	-	-	-	-
Non-controlling interest		-	-	-	-	-	-	-	-	-	(10,007)	(10,007)
Balance at September 30, 2018		<u>\$ 2,740,488</u>	<u>\$ 2,263,050</u>	<u>\$ 1,381,094</u>	<u>\$ 425,580</u>	<u>\$ 2,449,927</u>	<u>(\$ 313,158)</u>	<u>(\$ 42,540)</u>	<u>\$ -</u>	<u>\$ 8,904,441</u>	<u>\$ 690,132</u>	<u>\$ 9,594,573</u>

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

ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Nine-month periods ended	
		September 30	
	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 238,595	\$ 44,487
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (included depreciation of investment property)	6(7)(8)(25)	168,804	205,604
Amortisation	6(9)(10)(25)	21,967	10,583
Expected credit losses	12(2)	1,812	-
Reversal of for doubtful accounts	12(4)	-	(571)
Net loss (gain) on financial assets at fair value through profit or loss		(1,281)	440
Interest expense	6(24)	18,749	19,807
Interest income	6(22)	(89,498)	(54,352)
Dividend income	6(22)	(915)	(3,113)
Share-based payment compensation cost	6(15)(26)	14,799	26,266
Loss on disposal of investment	6(23)	-	4,206
Loss (gain) on disposal of property, plant and equipment	6(23)	1,370	(460)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		(184,937)	(168,868)
Contract asset		(857)	-
Notes receivable		(1,764,450)	346
Accounts receivable		(808,314)	612,295
Other receivables		(14,947)	3,522
Inventories		91,921	296,890
Prepayments		47,990	41,816
Other current assets		5,390	(4,080)
Changes in operating liabilities			
Notes payable		1,217,207	-
Accounts payable		686,456	(498,944)
Other payables		(12,833)	(31,147)
Provisions for liabilities		20,649	(35,990)
Other current liabilities		46,515	(9,545)
Other non-current liabilities		90	145
Cash (outflow) inflow generated from operations		(295,718)	459,337
Interest received		84,299	51,378
Dividends received		915	3,113
Interest paid		(17,153)	(20,061)
Income tax paid		(59,846)	(61,947)
Net cash flows (used in) from operating activities		(287,503)	431,820

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ALTEK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Nine-month periods ended September 30	
	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at cost		\$ -	(\$ 13,470)
Loss on disposal of investments accounted for under the equity method		-	123,572
Proceeds from capital reduction of financial assets at cost		-	2,758
Acquisition of property, plant and equipment	6(31)	(27,961)	(82,131)
Proceeds from disposal of property, plant and equipment		42,140	21,255
Increase in intangible assets	6(31)	(6,692)	(6,163)
(Increase) decrease in deposits-out		(4,651)	13,433
Acquisition of investment property		(8,000)	-
Net cash flows (used in) from investing activities		(5,164)	59,254
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(32)	(376,000)	(49,000)
Proceeds from issuance of short-term notes and bills payable		798,756	-
Repayment of short-term notes and bills payable		(800,000)	-
Increase in long-term borrowings	6(32)	600,000	-
Increase (decrease) in deposits-in	6(32)	(3,233)	13,964
Cash dividends for capital surplus	6(19)	(135,178)	(215,596)
Employee stock options exercised		9,824	3,704
Treasury shares sold to employees		94,603	-
Changes in non-controlling interest	6(29)	-	908,820
Net cash flows from financing activities		188,772	661,892
Effect of exchange rate		38,210	(245,110)
Net (decrease) increase in cash and cash equivalents		(65,685)	907,856
Cash and cash equivalents at beginning of period	6(1)	5,874,982	4,849,989
Cash and cash equivalents at end of period	6(1)	\$ 5,809,297	\$ 5,757,845

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

ALTEK CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

1. HISTORY AND ORGANIZATION

Altek Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the development, manufacturing and sale of digital image technology application, and related export and import trade.

The Company was listed in the Taiwan Stock Exchange on December 24, 2002, as approved by the Tai-Tz (91) Letter No. 024976 of the former Securities and Futures Commission, Ministry of Finance, R.O.C., dated September 27, 2002.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 9, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts’	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Amendments to IFRS 15, ‘Clarifications to IFRS 15 Revenue from contracts with customers’	January 1, 2018
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

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

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

accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under IFRS 15, depending on the nature of licences, they are either (1) a promise to provide a right to access to an entity's intellectual property as it exists throughout the licence period, or (2) a promise to provide a right to use an entity's intellectual property as it exists at the point in time when the licence is granted.

Licences that meet all of the following criteria provide access to an entity's intellectual property, and revenue is recognized based on the performance obligation's progress towards completion:

1. the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights;
2. the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified above; and
3. those activities do not result in the transfer of a good or service to the customer as those activities occur.

If licences cannot meet all criteria listed above, the entity provides a right to use the entity's intellectual property. Revenue shall be recognized at the point in time at which the licence is granted to the customer.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are provided in Note 12(4) and (5).

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

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

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

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

IFRS 16, 'Leases'

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the 2017 consolidated financial statements.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. The significant accounting policies is the same as that in Note 4 of the financial statements for the year ended December 31, 2017.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

Basis for preparation of consolidated financial statements is consistent with the 2017 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Altek Corporation	Altek International Investment Co., Ltd.	Investments and general business operations	100	100	100	-
"	Altek Japan Corporation	Sales of optical instruments	100	100	100	Note 5
"	Altek Investment Co., Ltd.	Investments	100	100	100	Note 5
"	Altek Autotronics Corporation	Research design, manufacture and sales of car electronic components	-	-	-	Note 4
"	Altek International Holding (BVI) Co., Ltd.	Investments and general business operations	100	100	100	Note 5
Altek International Investment Co., Ltd.	Altek Lab Inc.	Design service	100	100	100	Note 5
"	Altek Optical (Cayman) Co., Ltd.	Investments and general business operations	100	100	100	Note 5
"	Altek Semiconductor (Cayman) Co., Ltd.	Investments and general business operations	50	50	50	Note 6
Note 1	Altek (Kunshan) Co., Ltd.	Manufacture and sales of digital still camera and its accessories	100	100	100	-
Note 1	Altek EMS (Kunshan) Co., Ltd.	Manufacture and sales of related engineering services	100	100	100	Note 5
Note 1	Altek Precision (Kunshan) Co., Ltd.	Manufacture and sales of digital camera parts	100	100	100	Note 5
Note 1	Altek Trading (Shanghai) Limited	Wholesale, import and export of related electronic and their associated accessories	100	100	100	Note 5
Note 2	Altek Biotechnology Corporation	Research and development, manufacture and sales of medical electronic equipments	100	100	100	Note 5
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Research design and sales of ASIC	100	100	100	Note 6
"	Altek Semiconductor (Shanghai) Co., Ltd.	Research design and sales of imaging technologies, electronic software and hardware	100	100	100	Note 3 、 Note 5
Note 1	Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of related electronic services and its accessories and optical components	100	100	100	Note 5

Note 1: Invested by Leading Tech. Co., Ltd., Toptek Investment Cayman Co., Ltd., Altek Imaging Technology (Cayman) Co., Ltd., Altek Trading (Cayman) Co., Ltd., Altek Optical Technology (Cayman) Co., Ltd. , which are wholly owned by Altek International Investment Co., Ltd.

Note 2: Invested by Altek Biotechnology Holding (Cayman) Co., Ltd., which is wholly owned by Altek International Holding (BVI) Co., Ltd.

Note 3: It was invested by Altek Semiconductor (Cayman) Co., Ltd. and was incorporated in January 2017.

Note 4: On June 30, 2017, Altek Corporation consummated a short-form merger with Altek Autotronics Corporation and the former is the surviving company.

Note 5: As the subsidiaries do not meet the definition of significant subsidiaries, their financial statements as of September 30, 2018 and 2017 both were not reviewed by independent accountants.

Note 6: As the subsidiaries meet the definition of significant subsidiaries in 2018, the financial statements as of September 30, 2018 were reviewed by independent accountants. However, in 2017 as the subsidiaries did not meet the definition of significant subsidiaries, their financial statements as of September 30, 2017 were not reviewed by independent accountants.

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

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

(7) Impairment of financial assets

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

(8) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(9) Notes and accounts payable

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

(10) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(11) Income tax

- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other

comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(12) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells digital image technology application products. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognized based on the price specified in the contract, net of the value-added tax, sales returns, discounts and allowances.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical service revenue

The Group provides technical support service. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined by the percentage of completion of the service based on actual contractual progress.

C. Royalty income

- (a) The Group entered into a contract with a customer to grant a licence of patented technology to the customer. Given the licence is distinct from other promised goods or services in the contract, the Group recognizes the revenue from licencing when the licence transfers to a customer either at a point in time or over time based on the nature of the licence granted. The nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the patented technology to which the customer has rights, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The royalties are recognized as revenue on a straight-line basis throughout the licencing period. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a licence is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when transferring the licence to a customer at a point in time.

- (b) Some contracts require a usage-based royalty in exchange for a licence of intellectual property. The Group recognizes revenue when the performance obligation has been satisfied and the subsequent usage occurs. The customers pays the contract price in accordance with the agreed payment schedule. When the service provided by the Group exceeds the customers' payables, it is recognized as a contract asset. If the customer pays more than the services provided by the Group, it is recognized as a contract liability.

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

There have been no significant changes as of September 30, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand	\$ 1,020	\$ 840	\$ 1,280
Checking accounts and demand deposits	681,008	411,191	213,759
Time deposits	5,127,269	5,462,951	5,542,806
Total	<u>\$ 5,809,297</u>	<u>\$ 5,874,982</u>	<u>\$ 5,757,845</u>

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

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

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

<u>Items</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:			
Beneficiary certificates	\$ 766,682	\$ 581,745	\$ 859,317
Valuation adjustment	4,335	3,054	2,820
Total	<u>\$ 771,017</u>	<u>\$ 584,799</u>	<u>\$ 862,137</u>
Non-current items:			
Unlisted stocks	\$ 16,647	\$ -	\$ -
Valuation adjustment	(6,046)	-	-
Total	<u>\$ 10,601</u>	<u>\$ -</u>	<u>\$ -</u>

A. The Group recognized net gain of \$866 and \$712 for the three-month periods ended September 30, 2018 and 2017, respectively, and net gain of \$2,508 and \$1,880 for the nine-month periods ended September 30, 2018 and 2017, respectively.

B. As of September 30, 2018, December 31, 2017, and September 30, 2017, no financial assets measured at cost held by the Group were pledge to others.

C. Information relating to credit risk is provided in Note 12(2).

D. Information of financial assets at cost as of December 31, 2017 and September 30, 2017 is provided

in Note 12(4).

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

<u>Items</u>	<u>September 30, 2018</u>
Non-current items :	
Equity instruments	
Unlisted stocks	\$ 149,697
Valuation adjustment	(37,029)
	<u>\$ 112,668</u>

A. The Group has elected to classify strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$112,668 as at September 30, 2018.

B. The Group recognized fair value change in other comprehensive (loss) income of (\$12,169) and (\$13,429) for the three-month and nine-month periods ended September 30, 2018, respectively.

C. As at September 30, 2018, no non-current financial assets at fair value through other comprehensive income held by the Group were pledged to others.

D. Information relating to credit risk is provided in Note 12(2).

E. Information of financial assets at cost as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes receivable	\$ 1,733,389	\$ 30,335	\$ -
Accounts receivable	\$ 3,099,503	\$ 2,351,116	\$ 2,152,196
Less: Allowance for uncollectible accounts	(9,693)	(8,747)	(8,851)
	<u>\$ 3,089,810</u>	<u>\$ 2,342,369</u>	<u>\$ 2,143,345</u>

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

	<u>September 30, 2018</u>		<u>December 31, 2017</u>		<u>September 30, 2017</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not overdue	\$ 1,733,389	\$ 2,909,681	\$ 30,335	\$ 2,334,755	\$ -	\$ 2,135,995
Up to 30 days	-	77,636	-	334	-	-
31 to 90 days	-	21,024	-	-	-	-
91 to 180 days	-	25	-	218	-	-
Over 181 days	-	91,137	-	15,809	-	16,201
	<u>\$ 1,733,389</u>	<u>\$ 3,099,503</u>	<u>\$ 30,335</u>	<u>\$ 2,351,116</u>	<u>\$ -</u>	<u>\$ 2,152,196</u>

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. As at September 30, 2018, December 31, 2017, and September 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$1,733,389, \$30,335 and \$0, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$3,089,810, \$2,342,369 and \$2,143,345, respectively.

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

(5) Inventories

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 781,528	(\$ 33,427)	\$ 748,101
Work-in-process	153,574	(16,684)	136,890
Finished goods	172,410	(8,393)	164,017
Total	<u>\$ 1,107,512</u>	<u>(\$ 58,504)</u>	<u>\$ 1,049,008</u>
	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 737,657	(\$ 48,162)	\$ 689,495
Work-in-process	136,416	(5,601)	130,815
Finished goods	355,434	(9,818)	345,616
Total	<u>\$ 1,229,507</u>	<u>(\$ 63,581)</u>	<u>\$ 1,165,926</u>
	September 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 767,835	(\$ 51,560)	\$ 716,275
Work-in-process	234,147	(19,794)	214,353
Finished goods	222,695	(11,957)	210,738
Total	<u>\$ 1,224,677</u>	<u>(\$ 83,311)</u>	<u>\$ 1,141,366</u>

The cost of inventories recognized as expense for the periods:

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Cost of goods sold	\$ 2,703,056	\$ 2,332,347
Decline (reversal of) in market value	8,397	(24,564)
Total	<u>\$ 2,711,453</u>	<u>\$ 2,307,783</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Cost of goods sold	\$ 7,944,223	\$ 6,777,071
Decline in market value	(97,817)	(77,123)
Total	<u>\$ 7,846,406</u>	<u>\$ 6,699,948</u>

(6) Investments accounted for under the equity method

	September 30, 2018	December 31, 2017	September 30, 2017
JinJing Optical Technology Co., Ltd.	\$ 44,028	\$ 44,028	\$ 44,028
Less: Accumulated impairment loss	(44,028)	(44,028)	(44,028)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

As of September 30, 2018, December 31, 2017, and September 30, 2017, the carrying amount of the Group's individually immaterial associates amounted to \$0.

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Income (loss) for the period from continuing operations	\$ 113,623	(\$ 21,555)
Other comprehensive income - net of tax	-	3,050
Total comprehensive income (loss)	<u>\$ 113,623</u>	<u>(\$ 18,505)</u>

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Test equipment	Construction in progress and prepayment for equipment	Others	Total
At January 1, 2018							
Cost	\$ 468,684	\$ 3,353,156	\$ 1,366,032	\$ 170,311	\$ -	\$ 533,260	\$ 5,891,443
Accumulated depreciation	-	(685,644)	(903,610)	(158,744)	-	(494,657)	(2,242,655)
	<u>\$ 468,684</u>	<u>\$ 2,667,512</u>	<u>\$ 462,422</u>	<u>\$ 11,567</u>	<u>\$ -</u>	<u>\$ 38,603</u>	<u>\$ 3,648,788</u>
For the nine-month period ended September 30, 2018							
Opening net book amount	\$ 468,684	\$ 2,667,512	\$ 462,422	\$ 11,567	\$ -	\$ 38,603	\$ 3,648,788
Additions	-	1,910	-	1,515	9,875	4,320	17,620
Disposals	-	-	(42,316)	(848)	-	(346)	(43,510)
Reclassifications	-	-	-	-	-	(280)	(280)
Depreciation charge	-	(66,841)	(73,202)	(5,317)	-	(18,331)	(163,691)
Net exchange differences	-	(43,620)	(7,932)	(72)	(13)	(297)	(51,934)
Closing net book amount	<u>\$ 468,684</u>	<u>\$ 2,558,961</u>	<u>\$ 338,972</u>	<u>\$ 6,845</u>	<u>\$ 9,862</u>	<u>\$ 23,669</u>	<u>\$ 3,406,993</u>
At September 30, 2018							
Cost	\$ 468,684	\$ 3,298,717	\$ 1,080,761	\$ 158,604	\$ 9,862	\$ 474,301	\$ 5,490,929
Accumulated depreciation	-	(739,756)	(741,789)	(151,759)	-	(450,632)	(2,083,936)
	<u>\$ 468,684</u>	<u>\$ 2,558,961</u>	<u>\$ 338,972</u>	<u>\$ 6,845</u>	<u>\$ 9,862</u>	<u>\$ 23,669</u>	<u>\$ 3,406,993</u>

	Land	Buildings and structures	Machinery	Test equipment	Construction in progress and prepayment for equipment	Others	Total
At January 1, 2017							
Cost	\$ 1,042,216	\$ 3,522,603	\$ 1,443,305	\$ 199,899	\$ 29,043	\$ 678,217	\$ 6,915,283
Accumulated depreciation	-	(643,506)	(840,003)	(178,950)	-	(594,976)	(2,257,435)
	<u>\$ 1,042,216</u>	<u>\$ 2,879,097</u>	<u>\$ 603,302</u>	<u>\$ 20,949</u>	<u>\$ 29,043</u>	<u>\$ 83,241</u>	<u>\$ 4,657,848</u>
For the nine-month period ended September 30, 2017							
Opening net book amount	\$ 1,042,216	\$ 2,879,097	\$ 603,302	\$ 20,949	\$ 29,043	\$ 83,241	\$ 4,657,848
Additions	-	83,646	545	818	57	10,543	95,609
Disposals	-	-	(19,977)	(186)	-	(632)	(20,795)
Reclassifications	-	(170,019)	-	-	(29,043)	-	(199,062)
Depreciation charge	-	(65,314)	(82,347)	(7,780)	-	(47,642)	(203,083)
Net exchange differences	-	(35,866)	(13,204)	(254)	1	(1,470)	(50,793)
Closing net book amount	<u>\$ 1,042,216</u>	<u>\$ 2,691,544</u>	<u>\$ 488,319</u>	<u>\$ 13,547</u>	<u>\$ 58</u>	<u>\$ 44,040</u>	<u>\$ 4,279,724</u>
At September 30, 2017							
Cost	\$ 1,042,216	\$ 3,355,493	\$ 1,370,158	\$ 180,397	\$ 58	\$ 556,457	\$ 6,504,779
Accumulated depreciation	-	(663,949)	(881,839)	(166,850)	-	(512,417)	(2,225,055)
	<u>\$ 1,042,216</u>	<u>\$ 2,691,544</u>	<u>\$ 488,319</u>	<u>\$ 13,547</u>	<u>\$ 58</u>	<u>\$ 44,040</u>	<u>\$ 4,279,724</u>

A. For the nine-month periods ended September 30, 2018 and 2017, there was no capitalisation of borrowing interests attributable to the property, plant and equipment.

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

(8) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1, 2018			
Cost	\$ 573,532	\$ 245,710	\$ 819,242
Accumulated depreciation	-	(41,874)	(41,874)
	<u>\$ 573,532</u>	<u>\$ 203,836</u>	<u>\$ 777,368</u>
For the nine-month period ended September 30, 2018			
Opening net book amount	\$ 573,532	\$ 203,836	\$ 777,368
Depreciation charge	-	(5,113)	(5,113)
Closing net book amount	<u>\$ 573,532</u>	<u>\$ 198,723</u>	<u>\$ 772,255</u>
At September 30, 2018			
Cost	\$ 573,532	\$ 245,710	\$ 819,242
Accumulated depreciation	-	(46,987)	(46,987)
	<u>\$ 573,532</u>	<u>\$ 198,723</u>	<u>\$ 772,255</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1, 2017			
Cost	\$ -	\$ -	\$ -
Accumulated depreciation	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
For the nine-month period ended September 30, 2017			
Opening net book amount	\$ -	\$ -	\$ -
Additions - from acquisitions	-	9,000	9,000
Reclassifications	-	199,062	199,062
Depreciation charge	-	(2,521)	(2,521)
Closing net book amount	<u>\$ -</u>	<u>\$ 205,541</u>	<u>\$ 205,541</u>
At September 30, 2017			
Cost	\$ -	\$ 245,710	\$ 245,710
Accumulated depreciation	-	(40,169)	(40,169)
	<u>\$ -</u>	<u>\$ 205,541</u>	<u>\$ 205,541</u>

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

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Rental income from investment property	<u>\$ 6,529</u>	<u>\$ 6,529</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 2,076</u>	<u>\$ 1,901</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ -</u>	<u>\$ -</u>
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Rental income from investment property	<u>\$ 19,599</u>	<u>\$ 10,770</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 6,185</u>	<u>\$ 2,851</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	<u>\$ -</u>	<u>\$ -</u>

- B. As at September 30, 2018, the fair value of investment property held by the Group all amounted to \$870,022. The fair value was valued by independent valuers. Valuations were made using the comparative approach and income approach of direct capitalization method.
- C. There was no capitalisation of borrowing interests attributable to investment property.
- D. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(9) Intangible assets

	2018	2017
At January 1		
Cost	\$ 165,921	\$ 129,020
Accumulated amortisation	(44,383)	(36,103)
	<u>\$ 121,538</u>	<u>\$ 92,917</u>
For the nine-month period ended September 30		
Opening net book amount	\$ 121,538	\$ 92,917
Additions	3,801	1,445
Amortisation charge	(21,269)	(9,901)
Net exchange differences	1,676	(4,597)
Closing net book amount	<u>\$ 105,746</u>	<u>\$ 79,864</u>
At September 30		
Cost	\$ 167,424	\$ 125,431
Accumulated amortisation	(61,678)	(45,567)
	<u>\$ 105,746</u>	<u>\$ 79,864</u>

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

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Operating costs	\$ 240	\$ 1,327
Operating expense	6,394	1,772
	<u>\$ 6,634</u>	<u>\$ 3,099</u>
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Operating costs	\$ 2,473	\$ 3,963
Operating expense	18,796	5,938
	<u>\$ 21,269</u>	<u>\$ 9,901</u>

B. The Group has no intangible assets pledged to others.

(10) Long-term prepaid rents (shown as ‘Other non-current assets’)

	September 30, 2018	December 31, 2017	September 30, 2017
Land-use right	<u>\$ 31,765</u>	<u>\$ 33,296</u>	<u>\$ 33,563</u>

The Group recognized amortisation expenses for the three-month periods ended September 30, 2018 and 2017 amounting to \$228 and \$229, and for the nine-month periods ended September 30, 2018 and 2017 amounting to \$698 and \$682, respectively.

(11) Short-term borrowings

Type of borrowings	September 30, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 1,645,000</u>	1% ~1.13%	None
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 2,021,000</u>	1% ~1.19%	None
Type of borrowings	September 30, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 2,366,000</u>	1%~1.19%	None

(12) Short-term notes and bills payable

	September 30, 2018	December 31, 2017	September 30, 2017
Commercial paper payable	\$ 200,000	\$ 200,000	\$ -
Less: Discount on short-term notes and bills payable	(186)	(203)	-
	<u>\$ 199,814</u>	<u>\$ 199,797</u>	<u>\$ -</u>
Interest rate ranges	<u>0.85%</u>	<u>0.84%</u>	<u>-</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2018
Secured borrowings	Borrowing period is from August 24, 2018 to May 8, 2021. Revolving credit facility.	1.1%~1.25%	Yes (Note)	\$ 600,000
Less: Current portion				<u>-</u>
				<u>\$ 600,000</u>

During the terms of the unsecured borrowing, in accordance with the unsecured borrowing agreements contracted with bank, the Group is required to maintain the consolidated net value over \$8 billion and the debt ratio under 100% based on the annual consolidated financial statements and the semi-annual consolidated financial statements.

Note: Information about collateral for long-term borrowings is provided in Note 8.

(14) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$3 and \$0 for the three-month periods ended September 30, 2018 and 2017, and of \$99 and \$151 for the nine-month periods ended September 30, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to \$12.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly and amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the three-month periods ended September 30, 2018 and 2017, the Group had recognized pension costs of \$7,335 and \$7,720, and for the nine-month periods ended September 30, 2018 and 2017, the Group had recognized pension costs of \$21,665 and \$24,434 respectively, under the above pension scheme.
- (b) The subsidiaries provided defined contribution plans for its employees. Pursuant to local regulations, such employees and the subsidiaries each make contributions based on a certain percentage based of the salaries and wages to the pension funds. The subsidiaries had recognized pension costs of \$6,369 and \$6,529 for the three-month periods ended September 30, 2018 and 2017, respectively, and of \$20,792 and \$20,354 for the nine-month periods ended September 30, 2018 and 2017, respectively.

(15) Share-based payment

A. As of September 30, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	June 13, 2008	8,000	9.6 years	Note 1
"	October 31, 2008	1,000	9.2 years	Note 1
"	October 28, 2011	3,000	9.2 years	Note 1
"	March 21, 2012	3,000	8.9 yrsrs	Note 1
First time issuance of restricted shares to employees	November 13, 2015	2,440	3 years	Note 2, Note 3
"	March 18, 2016	1,190	3 years	Note 2, Note 3
"	May 5, 2016	370	3 years	Note 2, Note 3
Treasury stock transferred to employees	March 23, 2018	3,433	-	Vested immediately

Note 1: 2 years' service vest 40%, 3 years' service vest 70%, 4 years' service vest 100%.

Note 2: The restricted shares were issued at no consideration to the Company's existing employees whose service years have reached 2 years and 3 years and who achieved the performance requirement. The vested ratio is 50% and 50%, respectively. If employees who are entitled to receive restricted stocks do not meet the vesting conditions, the Company will redeem at no consideration and retire those shares.

Note 3: The stocks and dividends distributed to employees during the vesting period shall be given by the Company at no consideration. Employees are not required to return the stocks and dividends if they resign during the vesting period.

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

(a) For the nine-month periods ended September 30, 2018 and 2017, the information on the share options and the weighted number of average exercise price of compensation plan employee stock options are as follows:

	For the nine-month period ended September 30, 2018		For the nine-month period ended September 30, 2017	
	No. of options	Weighted-average exercise price (in dollars)(Note)	No. of options	Weighted-average exercise price (in dollars)(Note)
Options outstanding at beginning of the period	2,453	\$ 30.62	5,155	\$ 31.30
Option expired	(192)	-	(1,572)	-
Options exercised	(320)	30.70	(130)	28.49
Options outstanding at end of the period	<u>1,941</u>	30.61	<u>3,453</u>	30.32
Options exercisable at end of the period	<u>1,941</u>	30.61	<u>3,453</u>	30.32
Approved and not yet issued options at the end of the period	<u>-</u>		<u>-</u>	

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

- (b) The weighted number of average exercise price was \$27.64 of treasury stock transferred to employees for the nine-month period ended September 30, 2018.
- (c) The weighted-average stock price of stock options at exercise dates for the three-month periods ended September 30, 2018 and 2017 was \$34.28 and \$30.35, respectively. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2018 and 2017 was \$33.42 and \$26.91, respectively.
- (d) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	September 30, 2018		December 31, 2017		September 30, 2017	
		No. of shares (in thousands)	Exercise price (in dollars) (Note)	No. of shares (in thousands)	Exercise price (in dollars) (Note)	No. of shares (in thousands)	Exercise price (in dollars) (Note)
June 13, 2008	December 31, 2017	-	\$ -	-	\$ -	1,000	\$ 29.6
October 31, 2008	December 31, 2017	-	-	-	-	-	24.8
October 28, 2011	December 31, 2020	1,100	30.7	1,420	30.7	1,420	30.7
March 21, 2012	December 31, 2020	841	30.5	1,033	30.5	1,033	30.5

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

- (e) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (Note) (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	June 13, 2008	\$ 45.50	\$ -	24.45%	6 years	1.5%	2.40%	10.56
"	October 31, 2008	32.60	-	22.11%	6 years	1.5%	1.88%	6.54
"	October 28, 2011	30.65	30.7	30.27%	5 years	1.4%	1.18%	7.42
"	March 21, 2012	27.85	30.5	33.54%	4.9 years	1.4%	1.08%	7.35

Note: The exercise price of stock options was adjusted based on the cash dividends, stock dividends and cash capital reduction per share distributed.

C. Restricted shares to employees:

(a) The information on restricted shares to employees is as follows:

	For the nine-month period ended September 30, 2018 (share in thousands)	For the nine-month period ended September 30, 2017 (share in thousands)
Shares ungranted beginning balance	3,435	3,725
Shares granted	(1,718)	-
Restricted shares forfeited - retired	(90)	(240)
Shares ungranted ending balance	<u>1,627</u>	<u>3,485</u>

(b) As of September 30, 2018, the Company collected 90 thousand shares of restricted shares because certain employees did not meet the vesting condition, and the change of registration has been completed.

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

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Equity-settled	<u>\$ 3,726</u>	<u>\$ 6,809</u>
	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Equity-settled	<u>\$ 14,799</u>	<u>\$ 26,266</u>

(16) Provisions

	Warranty		
At January 1, 2018		\$	123,995
Additional provisions			37,913
Reversed during the period		(	17,256)
Exchange differences		(	638)
At September 30, 2018		\$	144,014
	September 30, 2018	December 31, 2017	September 30, 2017
Current	\$ 36,107	\$ 30,177	\$ 49,642
Non-current	\$ 107,907	\$ 93,818	\$ 88,436

The Group gives warranties on digital image technology application products sold. Provision for warranty is estimated based on historical warranty data of digital image technology application products.

(17) Share capital

As of September 30, 2018, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,740,488 with a par value of \$10 (in dollars) per share.

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

(Expressed in thousands of shares)

	2018	2017
At January 1	270,386	269,565
Employee stock options exercised	320	130
Treasury stock sold to employees	3,433	-
Retired restricted shares to employees that did not meet the vesting conditions	(90)	(240)
At September 30	274,049	269,455

B. Treasury shares

(a) As of September 30, 2018, December 31, 2017, and September 30, 2017, the reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

September 30, 2018

(Expressed in thousands of shares)

Shares held by	Reason for reacquisition	Number of shares	Book value
Altek Corporation	To be reissued to employees	-	\$ -

		December 31, 2017 (Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Altek Corporation	To be reissued to employees	3,433	\$ 96,138
		September 30, 2017 (Expressed in thousands of shares)	
Shares held by	Reason for reacquisition	Number of shares	Book value
Altek Corporation	Repurchase shares under the R.O.C. Company Law Section 186 and the Enterprises Mergers and Acquisitions Act Section 12	981	\$ 33,255
Altek Corporation	To be reissued to employees	3,433	96,138
		4,414	\$ 129,393

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- C. For the nine-month period ended September 30, 2017, the Company issued 120 thousands shares for employee stock options exercised and the registration for issuance will be completed pursuant to the regulation.

(18) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Employee stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Proceeds from sales of treasury shares	Restricted shares to employees	Total
At January 1, 2018	\$ 1,750,223	\$ 51,476	\$ 1,534	\$ 395,774	\$ 209	\$ 57,476	\$ 2,256,692
Employee stock options exercised	8,108	(1,484)	-	-	-	-	6,624
Treasury stock sold to employees	-	-	-	-	1,246	-	1,246
Employee restricted share granted	28,738	-	-	-	-	(28,738)	-
Retirement of employee restricted shares	-	-	-	-	-	(1,512)	(1,512)
At September 30, 2018	<u>\$ 1,787,069</u>	<u>\$ 49,992</u>	<u>\$ 1,534</u>	<u>\$ 395,774</u>	<u>\$ 1,455</u>	<u>\$ 27,226</u>	<u>\$ 2,263,050</u>

	Share premium	Employee stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Restricted shares to employees	Total
At January 1, 2017	\$ 1,746,566	\$ 52,729	\$ 1,534	\$ -	\$ 62,085	\$ 1,862,914
Employee stock options exercised	3,657	(1,253)	-	-	-	2,404
Subsidiaries' capital increase not participated proportionately to the original shareholding ratio	-	-	-	369,789	-	369,789
Retirement of employee restricted shares	-	-	-	-	(3,957)	(3,957)
At September 30, 2017	<u>\$ 1,750,223</u>	<u>\$ 51,476</u>	<u>\$ 1,534</u>	<u>\$ 369,789</u>	<u>\$ 58,128</u>	<u>\$ 2,231,150</u>

(19) Retained earnings

- A. According to the Company's Articles of Incorporation, the annual earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall be set aside in accordance with the rules set forth in the Securities and Exchange Act, and distributing the remaining amount as common stockholders' dividends in accordance with the resolution adopted by the Board of Directors and approved at the stockholders' meeting.
- B. The amount of dividends appropriated is based on the Company's current year's net income and prior years' retained earnings, taking into account the Company's financial structure and future operating plans. The distribution ratio of cash dividends to stock dividends is based on the Company's funding status, diluted earnings per share and other factors. According to the

dividend policy adopted by the Board of Directors, cash dividends shall account for at least 20% of the total dividends distributed. Dividends appropriation shall be resolved by the stockholders at the stockholders' meeting.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- E. The appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 15, 2018, and June 16, 2017, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in NT dollars)	Amount	Dividends per share (in NT dollars)
Legal reserve	\$ 1,340		\$ 5,380	
Special reserve	283,124		-	
Cash dividends	135,178	\$ 0.5	215,596	\$ 0.8
	<u>\$ 419,642</u>		<u>\$ 220,976</u>	

The appropriation of 2017 and 2016 earnings were the same as that approved by the Board of Directors on March 23, 2018 and March 27, 2017, respectively.

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(20) Other equity items

	Foreign currency translation adjustment	Unrealized losses on valuation	Unearned compensation	Total
At January 1, 2018	(\$ 283,124)	\$ -	(\$ 19,215)	(\$ 302,339)
Effects of retrospective application	-	(23,600)	-	(23,600)
After adjustment	(\$ 283,124)	(\$ 23,600)	(\$ 19,215)	(\$ 325,939)
Valuation adjustment	-	(14,155)	-	(14,155)
Currency translation differences:				
-Group	(30,034)	-	-	(30,034)
Retirement of restricted shares to employees	-	-	2,412	2,412
Share-based payment transactions	-	-	12,018	12,018
At September 30, 2018	<u>(\$ 313,158)</u>	<u>(\$ 37,755)</u>	<u>(\$ 4,785)</u>	<u>(\$ 355,698)</u>
	Foreign currency translation adjustment	Unearned compensation	Total	
At January 1, 2017	\$ 35,009	(\$ 60,530)	(\$ 25,521)	
Currency translation differences:				
-Group	(264,798)	-	(264,798)	
-Associates	1,262	-	1,262	
Retirement of restricted shares to employees	-	6,357	6,357	
Share-based payment transactions	-	26,266	26,266	
At September 30, 2017	<u>(\$ 228,527)</u>	<u>(\$ 27,907)</u>	<u>(\$ 256,434)</u>	

(21) Operating revenue

	For the three-month period ended September 30, 2018	For the nine-month period ended September 30, 2018
Revenue from contracts with customers	<u>\$ 3,086,368</u>	<u>\$ 8,877,914</u>

A. Disaggregation of revenue from contracts with customers

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

For the three-month period ended					
September 30, 2018	Asia	Europe	America	Taiwan	Total
Revenue from external customer contracts	<u>\$ 2,487,326</u>	<u>\$ 379,210</u>	<u>\$ 205,595</u>	<u>\$ 14,237</u>	<u>\$ 3,086,368</u>
Timing of revenue recognition					
At a point in time	\$ 2,487,326	\$ 379,210	\$ 205,595	\$ 14,237	\$ 3,086,368
Over time	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,487,326</u>	<u>\$ 379,210</u>	<u>\$ 205,595</u>	<u>\$ 14,237</u>	<u>\$ 3,086,368</u>

For the nine-month period ended					
September 30, 2018	Asia	Europe	America	Taiwan	Total
Revenue from external customer contracts	<u>\$ 7,427,858</u>	<u>\$ 1,015,498</u>	<u>\$ 383,628</u>	<u>\$ 50,930</u>	<u>\$ 8,877,914</u>
Timing of revenue recognition					
At a point in time	\$ 7,420,163	\$ 1,015,498	\$ 383,628	\$ 50,930	\$ 8,870,219
Over time	<u>7,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,695</u>
	<u>\$ 7,427,858</u>	<u>\$ 1,015,498</u>	<u>\$ 383,628</u>	<u>\$ 50,930</u>	<u>\$ 8,877,914</u>

B. Contract assets

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

	September 30, 2018
Technical license contract	\$ 857
Allowance for uncollectible account	(857)
Total	<u>\$ -</u>

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

(22) Other income

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Interest income:		
Interest income from bank deposits	\$ 32,613	\$ 21,316
Others	9	4
Rental revenue	6,688	6,529
Dividend income	915	3,113
Other income - others	3,610	3,085
Total	<u>\$ 43,835</u>	<u>\$ 34,047</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Interest income:		
Interest income from bank deposits	\$ 89,479	\$ 54,320
Others	19	32
Rental revenue	26,679	10,770
Dividend income	915	3,113
Other income - others	17,505	10,925
Total	<u>\$ 134,597</u>	<u>\$ 79,160</u>

(23) Other gains and losses

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Gains on disposal of property, plant and equipment	\$ 5,159	\$ 421
Gains on disposal of investments	-	20
Net currency exchange gains (losses)	26,502	(33,450)
Net gains on financial assets at fair value through profit or loss	866	712
Other expenses	(99)	(1,905)
Total	<u>\$ 32,428</u>	<u>(\$ 34,202)</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
(Losses) gains on disposal of property, plant and equipment	(\$ 1,370)	\$ 460
Loss on disposal of investments	-	(4,206)
Net currency exchange gains (losses)	5,589	(81,298)
Net gains on financial assets at fair value through profit or loss	2,508	1,880
Other expenses	(4,135)	(2,881)
Total	<u>\$ 2,592</u>	<u>(\$ 86,045)</u>

(24) Finance costs

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Interest expense	<u>\$ 6,408</u>	<u>\$ 6,257</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Interest expense	<u>\$ 18,749</u>	<u>\$ 19,807</u>

(25) Expenses by nature

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Employee benefit expenses	\$ 328,086	\$ 321,532
Depreciation charges on property, plant and equipment	53,973	61,703
Amortisation charges on intangible assets	<u>6,634</u>	<u>3,099</u>
Total	<u>\$ 388,693</u>	<u>\$ 386,334</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Employee benefit expenses	\$ 984,760	\$ 970,227
Depreciation charges on property, plant and equipment	168,804	205,604
Amortisation charges on intangible assets	21,269	9,901
Total	<u>\$ 1,174,833</u>	<u>\$ 1,185,732</u>

(26) Employee benefit expenses

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Wages and salaries	\$ 286,991	\$ 273,659
Employee stock options	3,726	6,809
Labour and health insurance fees	13,591	16,248
Pension costs	13,707	14,252
Other personnel expenses	10,071	10,564
Total	<u>\$ 328,086</u>	<u>\$ 321,532</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Wages and salaries	\$ 853,590	\$ 819,807
Employee stock options	14,799	26,266
Labour and health insurance fees	41,911	47,351
Pension costs	42,556	44,939
Other personnel expenses	31,904	31,864
Total	<u>\$ 984,760</u>	<u>\$ 970,227</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute compensation to the employees and pay remuneration to the directors that account for 10% to 20% and no higher than 2%, respectively, of distributable profit of the current period. If a company has accumulated deficit, earnings should be channeled to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Employees of subsidiaries that the Company holds more than 50% shareholding are entitled to receive aforementioned stock or cash.

Abovementioned distributable profit of the current period refers to the pre-tax profit before deduction of employees' compensation and directors' remuneration. A 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 distributed as employees' compensation and directors' remuneration; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Before the establishment of the Audit Committee of the Company, the remuneration of the supervisors and the directors shall be no higher than 2% of distributable profit of the current period.

- B. For the three-month and nine-month periods ended September 30, 2018 and 2017, employees' compensation was accrued (reversed) at \$18,001, (\$2,558), \$23,607 and \$1,091, respectively; directors' and supervisors' remuneration was accrued (reversed) at \$2,401, (\$340), \$3,148 and \$146, respectively. The aforementioned amounts were recognized in salary expenses.
- C. Employees' compensation and directors' and supervisors' remuneration for 2017 amounting to \$3,159 and \$421, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2017 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Current tax:		
Current tax on profits for the year	\$ 23,232	\$ 21,027
Adjustments in respect of prior years	<u>1</u>	<u>2</u>
Total current tax	<u>23,233</u>	<u>21,029</u>
Deferred tax:		
Origination and reversal of temporary differences	16,539	2,821
Impact of change in tax rate	<u>-</u>	<u>-</u>
Total deferred tax	<u>16,539</u>	<u>2,821</u>
Income tax expense	<u>\$ 39,772</u>	<u>\$ 23,850</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Current tax:		
Current tax on profits for the year	\$ 64,313	\$ 41,556
Adjustments in respect of prior years	(16,783)	(3,237)
Total current tax	<u>47,530</u>	<u>38,319</u>
Deferred tax:		
Origination and reversal of temporary differences	(41,715)	1,637
Impact of change in tax rate	<u>62,901</u>	<u>-</u>
Total deferred tax	<u>21,186</u>	<u>1,637</u>
Income tax expense	<u>\$ 68,716</u>	<u>\$ 39,956</u>

(b) The income tax charged to other comprehensive income is as follows:

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 726	\$ -
Translation differences of foreign operations (	37,309)	9,722
Impact of change in tax rate	<u>-</u>	<u>-</u>
	<u>(\$ 36,583)</u>	<u>\$ 9,722</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 726	\$ -
Translation differences of foreign operations (	20,300)	(53,977)
Impact of change in tax rate	<u>119</u>	<u>-</u>
	<u>(\$ 19,455)</u>	<u>(\$ 53,977)</u>

B. As of September 30, 2018, the Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

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

(28) Earnings (losses) per share

For the three-month period ended September 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 80,015	272,195	\$ 0.29
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 80,015		
Assumed conversion of all dilutive potential ordinary shares			
Restricted shares to employees		1,486	
Employee stock option certificates		179	
Employees' bonus		866	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 80,015	274,726	\$ 0.29
For the three-month period ended September 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 10,385)	265,868	(\$ 0.04)

For the three-month period ended September 30, 2017, the Group's stock options, restricted the right of new employee shares and reward employees have anti-dilution effect. Thus, no diluted losses per share is calculated.

For the nine-month period ended September 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 109,062	269,634	\$ 0.40
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 109,062		
Assumed conversion of all dilutive potential ordinary shares			
Restricted shares to employees		1,681	
Employee stock option certificates		106	
Employees' bonus		899	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 109,062	272,320	\$ 0.40
For the nine-month period ended September 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,177	265,849	\$ 0.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,177		
Assumed conversion of all dilutive potential ordinary shares			
Restricted shares to employees		2,397	
Employees' bonus		207	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,177	268,453	\$ 0.02

(29) Transactions with non-controlling interest

Grandson Altek Semiconductor (Cayman) Co., Ltd., a second-tier subsidiary of the Group, increased capital by issuing new shares on June 9, 2017 and July 11, 2017. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 21.43%. The transaction increased non-controlling interest by \$539,031 and increased the equity attributable to owners of parent by \$369,789. The effect of changes in interests in Altek Semiconductor (Cayman) Co., Ltd. on the equity attributable to owners of the parent as of 2017 is shown below:

	For the nine-month period ended September 30, 2017
Cash	\$ 908,820
Carrying amount of non-controlling interest	(539,031)
Capital surplus-Changes in ownership interests in subsidiaries	<u>\$ 369,789</u>

(30) Operating leases

The Group leased part of the Taipei office building with operating leases. Contingent rents of \$6,529, \$6,529, \$19,599 and \$10,770 were recognized for these leases in profit or loss for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not more than 1 year	\$ 28,921	\$ 28,921	\$ 28,921
More than 1 year but not more than 5 years	16,870	38,561	45,791
	<u>\$ 45,791</u>	<u>\$ 67,482</u>	<u>\$ 74,712</u>

The Group leases office buildings for operational needs under non-cancellable operating lease agreements. These lease terms are between 2018 and 2027. Most of the lease agreements are renewable at the market price at the end of the lease period. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not more than 1 year	\$ 3,772	\$ 3,448	\$ 3,696
More than 1 year but not more than 5 years	15,087	13,794	14,785
Over 5 years	16,030	17,243	19,406
	<u>\$ 34,889</u>	<u>\$ 34,485</u>	<u>\$ 37,887</u>

(31) Supplemental cash flow information

Investing activities with partial cash payments

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Acquisitions of property, plant, and equipment	\$ 17,620	\$ 95,609
Add: Property and equipment and construction billings payable at beginning of period	12,340	6,848
Less: Property and equipment and construction billings payable at end of period	(1,999)	(20,326)
Cash paid	<u>\$ 27,961</u>	<u>\$ 82,131</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Acquisitions of intangible assets	\$ 3,801	\$ 1,445
Add: Payable at beginning of period	4,763	9,067
Less: Payable at end of period	(1,872)	(4,349)
Cash paid	<u>\$ 6,692</u>	<u>\$ 6,163</u>

(32) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings	Guarantee deposits received	Total
At January 1, 2018	\$ 2,021,000	\$ 199,797	\$ -	\$ 23,923	\$ 2,244,720
Changes in cash flow from financing activities	(376,000)	(1,244)	600,000	(3,233)	219,523
Impact of changes in foreign exchange rate	-	-	-	-	-
Changes in other non-cash items	-	1,261	-	(339)	922
At September 30, 2018	<u>\$ 1,645,000</u>	<u>\$ 199,814</u>	<u>\$ 600,000</u>	<u>\$ 20,351</u>	<u>\$ 2,465,165</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship: None.

(2) Significant transactions and balances with related parties:

No significant related party transactions.

(3) Key management compensation

	For the three-month period ended September 30, 2018	For the three-month period ended September 30, 2017
Salaries and other short-term employee benefits	\$ 5,873	\$ 5,523
Post-employment benefits	155	141
Share-based payments	929	2,190
Total	<u>\$ 6,957</u>	<u>\$ 7,854</u>

	For the nine-month period ended September 30, 2018	For the nine-month period ended September 30, 2017
Salaries and other short-term employee benefits	\$ 23,689	\$ 18,802
Post-employment benefits	467	439
Share-based payments	4,605	7,394
Total	<u>\$ 28,761</u>	<u>\$ 26,635</u>

8. PLEDGED ASSETS

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

Pledged asset	Purpose	Book value	
		September 30, 2018	September 30, 2017
Land, buildings and structures	Long-term borrowings	\$ 749,359	\$ -
Investment acquisition	Long-term borrowings	772,255	-
		<u>\$ 1,521,614</u>	<u>\$ -</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Contingencies

On December 22, 2015, the Company filed a civil complaint against HTC Corporation with the Taiwan Taipei District Court, alleging HTC Corporation's default in relation to the agreed upon Manufacturing and Supply Agreement and claiming damage of USD 11,126 thousand against HTC Corporation. As of November 9, 2018, the case is still under trial.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, return capital or issue new shares to achieve the optimal capital structure.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss	\$ 781,618	\$ 584,799	\$ 862,137
Financial assets at fair value through other comprehensive income	112,668	-	-
Financial assets at cost	-	138,011	158,019
Financial assets at amortised cost/			
Loans and receivables			
Cash and cash equivalents	5,809,297	5,874,982	5,757,845
Current contract assets	-	-	-
Notes receivable	1,733,389	30,335	-
Accounts receivable	3,089,810	2,342,369	2,143,345
Other accounts receivable	38,263	18,976	19,045
Guarantee deposit paid	38,399	34,053	31,999
	<u>\$ 11,603,444</u>	<u>\$ 9,023,525</u>	<u>\$ 8,972,390</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,645,000	\$ 2,021,000	\$ 2,366,000
Short-term notes and bills payable	199,814	199,797	-
Notes payable	1,204,945	30,335	-
Accounts payable	2,707,842	2,097,254	1,874,940
Other accounts payable	393,402	420,452	427,830
Long-term borrowings (including current portion)	600,000	-	-
Guarantee deposits received	20,351	23,923	23,979
	<u>\$ 6,771,354</u>	<u>\$ 4,792,761</u>	<u>\$ 4,692,749</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2018

					Sensitivity Analysis			
					Effect on			
Foreign Currency					Effect on		Other	
Amount			Exchange	Book Value	Extent of	Profit or	Comprehensive	
<u>(In thousands)</u>			<u>Rate</u>	<u>(NTD)</u>	<u>Variation</u>	<u>(Loss)</u>	<u>Income (Loss)</u>	
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	74,997	30.525	\$2,289,283	1%	\$22,893	\$	-
USD:RMB	USD	41,043	6.8792	1,252,838	1%	12,528		-
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	67,117	30.525	\$2,048,746	1%	(\$20,487)	\$	-
USD:RMB	USD	38,563	6.8792	1,177,136	1%	(11,771)		-

December 31, 2017

					Sensitivity Analysis		
					Effect on		
Foreign Currency					Effect on		Other
Amount		Exchange	Book Value	Extent of	Profit or	Comprehensive	
(In thousands)		Rate	(NTD)	Variation	(Loss)	Income (Loss)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	82,628	29.760	\$ 2,459,009	1%	\$ 24,590	\$ -
USD:RMB	USD	58,286	6.5342	1,734,591	1%	17,346	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	79,594	29.760	\$ 2,368,717	1%	(\$ 23,687)	\$ -
USD:RMB	USD	48,656	6.5342	1,448,003	1%	(14,480)	-

September 30, 2017

					Sensitivity Analysis		
					Effect on		
Foreign Currency					Effect on Other		
Amount		Exchange	Book Value	Extent of	Profit or	Comprehensive	
<u>(In thousands)</u>		<u>Rate</u>	<u>(NTD)</u>	<u>Variation</u>	<u>(Loss)</u>	<u>Income (Loss)</u>	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	USD	71,152	30.260	\$ 2,153,060	1%	\$ 21,531	\$ -
USD:RMB	USD	63,521	6.6369	1,922,145	1%	19,221	-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	USD	69,259	30.260	\$ 2,095,777	1%	(\$ 20,958)	\$ -
USD:RMB	USD	49,649	6.6369	1,502,379	1%	(15,024)	-

- v. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 amounted to \$26,502, (\$33,450), \$5,589 and (\$81,298), respectively.

Price risk

The Group is exposed to price risk because of investments held by the Group. The Group sets limits to control the transaction volume and stop-loss amount to reduce its market risk.

Cash flow and fair value interest rate risk

Interest risk arises from the changes of market interest rate causing fluctuation in financial instruments' fair value or cash received and paid in the future.

The Group raised short-term and long-term borrowings at fixed rates during the nine-month periods ended September 30, 2018 and 2017, and thus had no significant cash flow interest rate risk.

(b) Credit risk

- Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience

and other factors. Individual risk limits are set based on internal or external ratings. The utilisation of credit limits is regularly monitored.

- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group used the forecastability to adjust historical and timely information to access the default possibility of accounts receivable, contract assets and lease payments receivable. On September 30, 2018, the loss rate methodology is as follows:

	Individual A		Individual B		Total
At September 30, 2018					
Expected loss rate	0%		100%		
Total book value	\$	4,823,199	\$	10,550	\$ 4,833,749
Loss allowance	\$	-	\$	10,550	\$ 10,550

- ix. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable, contract assets and notes receivable are as follows:

	2018		
	Accounts receivable	Contract assets	Notes receivable
At January 1_IAS 39	\$ 8,747	\$ -	\$ -
Adjustments under new standards	-	-	-
At January 1_IFRS 9	8,747	-	-
Provision for impairment	3,671	857	-
Reversal of impairment loss	(2,716)	-	-
Write-offs	(33)	-	-
Effect of foreign exchange	24	-	-
At September 30	<u>\$ 9,693</u>	<u>\$ 857</u>	<u>\$ -</u>

- x. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

- Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, and compliance with internal balance sheet ratio targets.
- Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- The Group has following undrawn borrowing facilities:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Fixed rate:			
Expiring within one year	\$ 2,428,160	\$ 1,114,700	\$ 1,269,700
Expiring beyond one year	<u>600,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,028,160</u>	<u>\$ 1,114,700</u>	<u>\$ 1,269,700</u>

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

Non-derivative financial liabilities:

September 30, 2018	Less than 1 year	Over 1 year
Short-term borrowings	\$ 1,645,000	\$ -
Short-term notes and bills payable	199,814	-
Notes payable	1,204,945	-
Accounts payable	2,707,842	-
Other payables	393,402	-
Long-term borrowings (including current portion)	-	600,000
Guarantee deposits received	-	20,351

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Over 1 year
Short-term borrowings	\$ 2,021,000	\$ -
Short-term notes and bills payable	199,797	-
Notes payable	30,335	-
Accounts payable	2,097,254	-
Other payables	420,452	-
Guarantee deposits received	-	23,923

Non-derivative financial liabilities:

September 30, 2017	Less than 1 year	Over 1 year
Short-term borrowings	\$ 2,366,000	\$ -
Accounts payable	1,874,940	-
Other payables	427,830	-
Guarantee deposits received	-	23,979

(3) Fair value estimation

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

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

<u>September 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u> <u>measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 771,017	\$ -	\$ -	\$ 771,017
Unlisted stocks	-	-	10,601	10,601
Financial assets at fair value through other comprehensive income				
Unlisted stocks	-	59,340	53,328	112,668
	<u>\$ 771,017</u>	<u>\$ 59,340</u>	<u>\$ 63,929</u>	<u>\$ 894,286</u>

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u> <u>measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	<u>\$ 584,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,799</u>

<u>September 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u> <u>measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	<u>\$ 862,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 862,137</u>

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

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

	<u>Open-end fund</u>
Market quoted price	Net asset value

- (b) The fair value of Level 2 financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- E. Accounting Department segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Investment property is valued regularly by the Group's Accounting Department segment based on the valuation methods and assumptions announced by the Financial Supervisory Commission, Securities and Futures Bureau or through outsourced appraisal performed by the external valuer.
- F. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Financial assets at fair value through profit or loss				
Unlisted shares	\$ 10,601	Net asset value	Not applicable	Not applicable
Financial assets at fair value through comprehensive income				
Unlisted shares	53,328	Net asset value	Not applicable	Not applicable

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

A. Summary of significant accounting policies adopted in 2017:

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

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid contracts; or

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

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

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

iii. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(b) Loans and receivables

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

(c) Impairment of financial assets

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

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

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

(ii) Financial assets at cost

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

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

					Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Measured at cost	Total	Retained earnings	Other equity
IAS 39	\$ -	\$ -	\$ 138,011	\$ 138,011	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	10,601	-	(10,601)	-	-	-
Transferred into and measured at fair value through other comprehensive income-equity	-	151,010	(151,010)	-	-	-
Impairment loss adjustment	-	(23,600)	23,600	-	23,600	(23,600)
IFRS 9	<u>\$ 10,601</u>	<u>\$ 127,410</u>	<u>\$ -</u>	<u>\$ 138,011</u>	<u>\$ 23,600</u>	<u>(\$ 23,600)</u>

- (a) Under IAS 39, because the equity instruments, which were classified as: financial assets at cost, amounting to \$151,010, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)", increased retained earnings and decreased other equity interest in the amount of \$23,600 on initial application of IFRS 9.
- (b) Under IAS 39, the equity instruments, which were classified as: financial assets at cost, amounting to \$10,601, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" under IFRS 9.

C. The financial assets at cost as of September 30, 2017 and December 31, 2017 are as follows:

Items	December 31, 2017	September 30, 2017
Non-current items:		
Unlisted stocks	\$ 167,657	\$ 170,615
Accumulated impairment	(29,646)	(12,596)
	<u>\$ 138,011</u>	<u>\$ 158,019</u>

- (a) Since to the Group's investment stocks are not traded in active market, and have no sufficient industry information of companies similar to the investment stocks, the fair value of the investment stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- (b) No impairment loss was recognized for the financial assets measured at cost for the three-month and nine-month periods ended September 30, 2017.
- (c) As of September 30, 2017 and December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.
- D. Credit risk information for 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- (b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	September 30, 2017
Group 1	\$ 2,070,650	\$ 2,013,026
Group 2	264,105	122,969
	<u>\$ 2,334,755</u>	<u>\$ 2,135,995</u>

Note:

Group 1: Including domestic and foreign listed companies and their affiliated companies.

Group 2: Others.

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

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Up to 30 days	\$ 334	\$ -
31 to 90 days	-	-
91 to 180 days	218	-
Over 181 days	7,062	7,350
	<u>\$ 7,614</u>	<u>\$ 7,350</u>

The above ageing analysis was based on past due date.

(e) Movements in the provision for impairment of accounts receivable are as follows:

	<u>2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ 9,477	\$ -	\$ 9,477
Provision for impairment	(571)	-	(571)
Effects of foreign exchange	(55)	-	(55)
At September 30	<u>\$ 8,851</u>	<u>\$ -</u>	<u>\$ 8,851</u>

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

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

(a) Sales of goods

The Group manufactures and sells digital image technology application products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains either continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) Technical service revenue and royalty income

The Group provides and charges for technical service and royalty income. Revenue is recognised in accordance with the stage of completion of the transaction, and cost is recognised when incurred in the current period. The Group recognised losses immediately if any loss is expected to be incurred in the transaction. Revenue is recognised when the following conditions are met:

- i. The amount of revenue can be measured reliably;
- ii. It is probable that the economic benefits associated with the transaction will flow to the entity;
- iii. The costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- iv. The stage of completion of the transaction at the end of the reporting period can be measured reliably.

B. The revenue recognised by using above accounting policies for the nine-month period ended September 30, 2017 are as follows:

	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Sales revenue	\$ 2,534,680	\$ 7,515,552
Service revenue	62,741	122,209
Other	37,526	131,335
	<u>\$ 2,634,947</u>	<u>\$ 7,769,096</u>

C. The effects and description of current balance sheets items if the Group continues adopting the above accounting policies are as follows:

		September 30, 2018		
		Balance by using	previous	Effects from
		Balance by using	accounting	changes in
Balance sheet items	Description	IFRS 15	policies	accounting policy
Accounts receivable	Note	3,089,810	3,089,810	-
Contract assets	Note	-	-	-

Note : In accordance with IFRS 15, contract assets related to technology license agreement are presented as accounts receivable using previous accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures) : Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. The related information of investments in Mainland China: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
For the significant purchases, sales, accounts payable and accounts receivable transactions between the Company and the investee companies in Mainland China through its subsidiaries, please refer to tables 2 and 4.

14. SEGMENT INFORMATION

(1) General information

The Group mainly operates in one segment. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has a single reportable segment.

(2) Measurement of segment information

The Group has a single reportable segment. The revenue from external customers, the related gain or loss, and the assets correspond with the consolidated revenue, consolidated operating income, and consolidated assets.

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

None.

Altek Corporation and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2018			
				Number of shares	Book value	Ownership (%)	Fair value
Altek Corporation	Gianta Co., Ltd. - Common stock	Director	Financial assets at fair value through profit or loss - non-current	762,876	\$ 10,312	14.55%	\$ 10,312
"	Yung Li Investments Inc. - Common stock	None	"	633,483	289	4.84%	289
"	Hua-chuang Automobile Information Technical Center Co., Ltd. - Common stock	None	Financial assets measured at fair value through other comprehensive income - non-current	10,000,000	59,340	2.00%	59,340
Altek (Kunshan) Co., Ltd.	Guangdong Kingding Optical Technology Co., Ltd.	None	"	1,200,000	6,509	6.45%	6,509
"	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	None	"	N/A	46,819	(Note)	46,819
Altek Semiconductor Corporation	Money Market Fund	None	Financial assets at fair value through profit or loss-current	3,329,796	90,112	N/A	90,112
Altek Biotechnology Corporation	Money Market Fund	None	"	35,341,960	680,905	N/A	680,905

Note : 1% of CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)'s capital contribution.

Altek Corporation and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the nine-month period ended September 30, 2018

Table 2 Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term				
Altek Corporation	Altek International Investment Co., Ltd.	Parent and affiliated company	Purchases	\$ 2,530,527	99%	Net 120 days	Approximately the same price with third parties	Note	(\$ 1,400,274)	98%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	"	Purchases	3,680,307	100%	Net 75 days	"	"	(914,828)	97%
Altek Semiconductor Corporation	Altek International Investment Co., Ltd.	"	Purchases	219,080	80%	"	"	"	(117,607)	81%
Altek Biotechnology Corporation	"	The same ultimate parent company	Purchases	727,970	100%	"	"	"	(367,264)	98%
Altek Trading (Shanghai) Limited	Altek (Kunshan) Co., Ltd.	"	Purchases	325,551	83%	"	"	"	(63,713)	73%
Altek Semiconductor (Shanghai) CO., Ltd.	"	"	Purchases	3,142,330	100%	"	"	"	(2,973,971)	100%

Note: The payment term with third parties was net 60~120 days.

Altek Corporation and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
September 30, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Altek International Investment Co., Ltd.	Altek Corporation	Parent company	\$ 1,400,274	2.67	\$ -	N/A	\$ 309,811	\$ -
"	Altek Semiconductor Corporation	Parent company	117,607	2.17	-	N/A	-	-
"	Altek Biotechnology Corporation	The same ultimate parent company	367,264	3.12	-	N/A	85,102	-
Altek (Kunshan) Co., Ltd.	Alteck International Investment Co., Ltd.	Parent company	914,828	5.35	-	N/A	430,306	-
"	Altek Semiconductor (Shanghai) Co., Ltd.	The same ultimate parent company	2,973,971	2.54	-	N/A	404,015	-

Altek Corporation and subsidiaries
Significant inter-company transactions during the reporting periods
For the nine-month period ended September 30, 2018

Table 4 Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction			
Company name	Counterparty	Relationship (Note 1)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 2)
Altek Corporation	Altek International Investment Co., Ltd.	(1)	Purchases	\$ 2,530,527	Net 120 days	29%
"	"	(1)	Accounts payable	1,400,274	"	8%
Altek International Investment Co., Ltd.	Altek (Kunshan) Co., Ltd.	(3)	Purchases	3,680,307	Net 75 days	41%
"	"	(3)	Accounts payable	914,828	"	5%
Altek Semiconductor Corporation	Altek International Investment Co., Ltd.	(3)	Purchases	219,080	"	2%
"	"	(3)	Accounts payable	117,607	"	1%
"	"	(3)	Sales	53,916	"	1%
"	"	(3)	Accounts receivable	22,841	"	0%
"	Altek Semiconductor (Shanghai) Co., Ltd.	(3)	Royalty income	237,884	"	3%
"	"	(3)	Other receivables	117,692	"	1%
Altek Biotechnology Corporation	Altek International Investment Co., Ltd.	(3)	Purchases	727,970	"	8%
"	"	(3)	Accounts payable	367,264	"	2%
Altek (Kunshan) Co., Ltd.	"	(3)	Purchases	69,183	"	1%
Altek Trading (Shanghai) Limited	"	(3)	Purchases	68,446	"	1%
"	"	(3)	Accounts payable	17,323	"	0%
"	Altek (Kunshan) Co., Ltd.	(3)	Purchases	325,551	"	4%
"	"	(3)	Accounts payable	63,713	"	0%
Altek Semiconductor (Shanghai) Co., Ltd.	"	(3)	Purchases	3,142,330	"	35%
"	"	(3)	Notes/accounts payable	2,973,971	"	17%

Note 1: Relationship between transaction and counterparty is classified into the following categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 2: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 3: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Altek Corporation and subsidiaries
Information on investees
For the nine-month period ended September 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2018
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value		
Altek Corporation	Altek International Investment Co., Ltd.	British Virgin Islands	Investment and general business operations	\$ 2,910,046	\$ 2,910,046	88,662,059	100%	\$ 8,977,576	\$ 111,111	\$ 111,111
"	Altek Japan Corporation	Japan	Sale of optical optical instruments	2,869	2,869	1,000	100%	11,255	127	127
"	Altek Investment Co., Ltd.	Republic of China	Investment	50,000	50,000	5,000,000	100%	39,959	66	66
"	Altek International Holding (BVI) Co, Ltd.	British Virgin Islands	Investment and general business operations	415,376	415,376	12,865,921	100%	577,505	80,603	80,603
Altek International Investment Co., Ltd.	Altek Lab Inc.	U.S.A.	Design service	112,324	112,324	11,311,875	100%	60,463	343	312
"	JinJing Optical Technology Co., ltd.	Samoa	Investment and general business operations	106,838	106,838	3,500,000	23.33%	-	113,623	-
"	Altek Semiconductor (Cayman) Co., Ltd.	Cayman Islands	Investment and general business operations	187,664	187,664	20,000,000	50%	687,964	121,634	60,817
Altek Semiconductor (Cayman) Co., Ltd.	Altek Semiconductor Corporation	Republic of China	Research design and sales of ASIC	200,000	200,000	20,000,000	100%	264,516	29,948	14,974
Altek Biotechnology Holding (Cayman) Co., Ltd.	Altek Biotechnology Corporation	Republic of China	Research and development, manufacture and sales of medical electronic equipments	415,376	415,376	40,100,000	100%	491,175	80,603	80,603

Altek Corporation and subsidiaries
Information on investments in Mainland China
For the nine-month period ended September 30, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2018		Accumulated amount of remittance from Taiwan toMainland China as of September 30, 2018	Net profit (loss) of investee for the nine-month period ended September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018
					Remitted to Mainland China	Remitted back to Taiwan						
Altek (Kunshan) Co., Ltd. (Note 2)	Manufacture and sale of digital still cameras and its accessories	\$ 1,514,040	2	\$ 1,373,625	\$ -	\$ -	\$ 1,373,625	\$ 121,563	100%	\$ 121,563	\$ 3,979,300	\$ -
Altek EMS (Kunshan) Co., Ltd. (Note 3)	Manufacture and sale of related engineering services	152,625	2	277,259	-	-	277,259	16,728	100%	16,728	758,314	-
Altek Trading (Shanghai) Limited	Wholesale, import and export of digital cameras, digital video cameras and their associated accessories	259,463	2	259,463	-	-	259,463	2,118	100%	2,118	295,331	-
Kinko Optical (Suzhou) Co., Ltd.	Manufacture and sale of optical components	457,875	2	106,838	-	-	106,838	-	-	-	-	-
Altek Precision (Kunshan) Co., Ltd.	Design, manufacture and sales of digital camera parts	421,245	2	421,245	-	-	421,245	2,244	100%	2,244	148,472	-
Altek Optical Technology (Kunshan) Co., Ltd.	Manufacture and sales of digital camera and its accessories and optical components	341,880	2	341,880	-	-	341,880	(3,389)	100%	(3,389)	8,982	-
Altek Semiconductor (Shanghai) Co., Ltd.	Research design and sales of imaging technologies, electronic software and hardware	45,788	2	-	-	-	-	77,508	50%	38,754	113,796	-

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1)Directly invest in a company in Mainland China.
(2)Through investing in an existing company in the third area,which then investeed in the investee in Mainland China.
(3)Others.

Note 2: Including retained earnings capitalized of US\$4,600 (In thousand of US dollars).

Note 3: Including retained earnings capitalized of US\$3,600 (In thousand of US dollars).

Note 4: JinJing Optical Technology Co., Ltd has sold its stake in Kinko Optical (Suzhou) Co., Ltd.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Altek Corporation	\$ 2,780,310	\$ 2,989,741	\$ -

Note:According to “Regulations Governing the Approval of Investment or Technical in Mainland China”on August 29, 2008, Altek Corporation obtained the approval from the Industrial Development Bureau of Ministry of Economics Affairs issued to Headquarters, so there is no need to compute the ceiling amount of the Company.