

**ALTEK CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REVIEW REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**SEPTEMBER 30, 2019 AND 2018**  
**(Stock Code:3059)**

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Altek Corporation

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Altek Corporation and subsidiaries as of September 30, 2019 and 2018, 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 explained 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 certain non-significant consolidated subsidiaries and the information disclosed in Note 13 were based solely on the reports prepared by those subsidiaries which were not reviewed by independent accountants. Those statements reflect total assets of NT\$1,569,697 and NT\$5,898,888, constituting 11% and 34% of the consolidated total assets, and total liabilities of NT\$6,461 and NT\$317,181, constituting 0% and 4% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively, and total comprehensive income of (NT\$32,344),

NT\$9,868, (NT\$15,716) and NT\$109,215, constituting 19%, 4%, 19% and 20% of the absolute values of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

As described in Note 6(7) to the consolidated financial statements, investments accounted for under equity method had book values both amounting to NT\$0 as of September 30, 2019 and 2018, and the related investment income both amounted to NT\$0 for the three-month and nine-month periods then ended. These amounts were based solely on the unreviewed financial statements of this investee.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and investments accounted for under equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, 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 of September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended 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.

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Li, Tien-Yi

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Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

November 4, 2019

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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, 2019 and 2018 are reviewed, not audited)

| Assets             |                                                                               |       | September 30, 2019 |        | December 31, 2018 |        | September 30, 2018 |        |
|--------------------|-------------------------------------------------------------------------------|-------|--------------------|--------|-------------------|--------|--------------------|--------|
|                    |                                                                               |       | Notes              | AMOUNT | %                 | AMOUNT | %                  | AMOUNT |
| Current assets     |                                                                               |       |                    |        |                   |        |                    |        |
| 1100               | Cash and cash equivalents                                                     | 6(1)  | \$ 6,930,860       | 48     | \$ 6,495,017      | 40     | \$ 5,809,297       | 34     |
| 1110               | Current financial assets at fair value through profit or loss                 | 6(2)  | -                  | -      | -                 | -      | 771,017            | 4      |
| 1136               | Current financial assets at amortised cost, net                               | 6(4)  | 379,976            | 3      | 261,228           | 2      | -                  | -      |
| 1150               | Notes receivable, net                                                         | 6(5)  | 61,239             | -      | 1,387,222         | 8      | 1,733,389          | 10     |
| 1170               | Accounts receivable, net                                                      | 6(5)  | 1,117,794          | 8      | 2,414,775         | 15     | 3,089,810          | 18     |
| 1200               | Other receivables                                                             |       | 40,354             | -      | 31,712            | -      | 38,263             | -      |
| 1220               | Current income tax assets                                                     |       | 4,398              | -      | 683               | -      | 1,172              | -      |
| 130X               | Inventories, net                                                              | 6(6)  | 900,440            | 6      | 999,212           | 6      | 1,049,008          | 6      |
| 1410               | Prepayments                                                                   |       | 133,433            | 1      | 89,451            | 1      | 126,902            | 1      |
| 1470               | Other current assets                                                          |       | 3,608              | -      | 6,141             | -      | 10,500             | -      |
| 11XX               | Current Assets                                                                |       | 9,572,102          | 66     | 11,685,441        | 72     | 12,629,358         | 73     |
| Non-current assets |                                                                               |       |                    |        |                   |        |                    |        |
| 1510               | Non-current financial assets at fair value through profit or loss             | 6(2)  | 31,596             | -      | 23,683            | -      | 10,601             | -      |
| 1517               | Non-current financial assets at fair value through other comprehensive income | 6(3)  | 59,071             | 1      | 114,508           | 1      | 112,668            | 1      |
| 1535               | Non-current financial assets at amortised cost                                | 6(4)  | 373,029            | 3      | -                 | -      | -                  | -      |
| 1550               | Investments accounted for using equity method                                 | 6(7)  | -                  | -      | 26,768            | -      | -                  | -      |
| 1600               | Property, plant and equipment, net                                            | 6(8)  | 3,214,165          | 22     | 3,376,345         | 21     | 3,406,993          | 20     |
| 1755               | Right-of-use assets                                                           | 6(9)  | 132,566            | 1      | -                 | -      | -                  | -      |
| 1760               | Investment property, net                                                      | 6(10) | 765,438            | 5      | 770,551           | 4      | 772,255            | 4      |
| 1780               | Intangible assets, net                                                        | 6(11) | 87,226             | 1      | 100,142           | 1      | 105,746            | 1      |
| 1840               | Deferred income tax assets                                                    |       | 129,549            | 1      | 102,696           | 1      | 132,039            | 1      |
| 1900               | Other non-current assets                                                      |       | 39,224             | -      | 70,336            | -      | 70,164             | -      |
| 15XX               | Non-current assets                                                            |       | 4,831,864          | 34     | 4,585,029         | 28     | 4,610,466          | 27     |
| 1XXX               | Total assets                                                                  |       | \$ 14,403,966      | 100    | \$ 16,270,470     | 100    | \$ 17,239,824      | 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, 2019 and 2018 are reviewed, not audited)

|      | Liabilities and Equity                                                          | Notes | September 30, 2019   |            | December 31, 2018    |            | September 30, 2018   |            |
|------|---------------------------------------------------------------------------------|-------|----------------------|------------|----------------------|------------|----------------------|------------|
|      |                                                                                 |       | AMOUNT               | %          | AMOUNT               | %          | AMOUNT               | %          |
|      | <b>Current liabilities</b>                                                      |       |                      |            |                      |            |                      |            |
| 2100 | Short-term borrowings                                                           | 6(12) | \$ 2,210,000         | 16         | \$ 1,760,000         | 11         | \$ 1,645,000         | 10         |
| 2110 | Short-term notes and bills payable                                              | 6(13) | 179,882              | 1          | -                    | -          | 199,814              | 1          |
| 2130 | Current contract liabilities                                                    |       | 27,581               | -          | -                    | -          | -                    | -          |
| 2150 | Notes payable                                                                   |       | -                    | -          | 1,049,446            | 6          | 1,204,945            | 7          |
| 2170 | Accounts payable                                                                |       | 1,039,103            | 7          | 1,878,509            | 12         | 2,707,842            | 16         |
| 2200 | Other payables                                                                  |       | 511,117              | 4          | 415,658              | 3          | 393,402              | 2          |
| 2230 | Current income tax liabilities                                                  |       | 46,463               | -          | 58,625               | -          | 47,211               | -          |
| 2250 | Provisions for liabilities - current                                            | 6(17) | 27,169               | -          | 35,378               | -          | 36,107               | -          |
| 2280 | Current lease liabilities                                                       |       | 6,466                | -          | -                    | -          | -                    | -          |
| 2300 | Other current liabilities                                                       |       | 182,378              | 1          | 223,054              | 1          | 228,115              | 1          |
| 21XX | <b>Current Liabilities</b>                                                      |       | <u>4,230,159</u>     | <u>29</u>  | <u>5,420,670</u>     | <u>33</u>  | <u>6,462,436</u>     | <u>37</u>  |
|      | <b>Non-current liabilities</b>                                                  |       |                      |            |                      |            |                      |            |
| 2540 | Long-term borrowings                                                            | 6(14) | -                    | -          | 600,000              | 4          | 600,000              | 3          |
| 2550 | Provisions for liabilities - noncurrent                                         | 6(17) | 131,318              | 1          | 113,115              | 1          | 107,907              | 1          |
| 2570 | Deferred income tax liabilities                                                 |       | 471,255              | 3          | 447,061              | 3          | 446,294              | 3          |
| 2580 | Non-current lease liabilities                                                   |       | 95,971               | 1          | -                    | -          | -                    | -          |
| 2600 | Other non-current liabilities                                                   |       | 30,019               | -          | 28,043               | -          | 28,614               | -          |
| 25XX | <b>Non-current liabilities</b>                                                  |       | <u>728,563</u>       | <u>5</u>   | <u>1,188,219</u>     | <u>8</u>   | <u>1,182,815</u>     | <u>7</u>   |
| 2XXX | <b>Total Liabilities</b>                                                        |       | <u>4,958,722</u>     | <u>34</u>  | <u>6,608,889</u>     | <u>41</u>  | <u>7,645,251</u>     | <u>44</u>  |
|      | <b>Equity attributable to owners of parent</b>                                  |       |                      |            |                      |            |                      |            |
|      | <b>Share capital</b>                                                            | 6(18) |                      |            |                      |            |                      |            |
| 3110 | Common stock                                                                    |       | 2,754,613            | 19         | 2,740,113            | 17         | 2,740,488            | 16         |
|      | <b>Capital surplus</b>                                                          | 6(19) |                      |            |                      |            |                      |            |
| 3200 | Capital surplus                                                                 |       | 2,281,827            | 16         | 2,262,397            | 14         | 2,263,050            | 13         |
|      | <b>Retained earnings</b>                                                        | 6(20) |                      |            |                      |            |                      |            |
| 3310 | Legal reserve                                                                   |       | 1,394,151            | 10         | 1,381,094            | 8          | 1,381,094            | 8          |
| 3320 | Special reserve                                                                 |       | 435,679              | 3          | 425,580              | 3          | 425,580              | 3          |
| 3350 | Unappropriated retained earnings                                                |       | 2,394,864            | 17         | 2,471,973            | 15         | 2,449,927            | 14         |
|      | <b>Other equity interest</b>                                                    | 6(21) |                      |            |                      |            |                      |            |
| 3400 | Other equity interest                                                           |       | ( 431,782 )          | ( 3 )      | ( 294,938 )          | ( 2 )      | ( 355,698 )          | ( 2 )      |
| 31XX | <b>Equity attributable to owners of the parent</b>                              |       | <u>8,829,352</u>     | <u>62</u>  | <u>8,986,219</u>     | <u>55</u>  | <u>8,904,441</u>     | <u>52</u>  |
| 36XX | <b>Non-controlling interest</b>                                                 |       | <u>615,892</u>       | <u>4</u>   | <u>675,362</u>       | <u>4</u>   | <u>690,132</u>       | <u>4</u>   |
| 3XXX | <b>Total equity</b>                                                             |       | <u>9,445,244</u>     | <u>66</u>  | <u>9,661,581</u>     | <u>59</u>  | <u>9,594,573</u>     | <u>56</u>  |
|      | <b>Significant contingent liabilities and unrecognised contract commitments</b> | 9     |                      |            |                      |            |                      |            |
| 3X2X | <b>Total liabilities and equity</b>                                             |       | <u>\$ 14,403,966</u> | <u>100</u> | <u>\$ 16,270,470</u> | <u>100</u> | <u>\$ 17,239,824</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 earnings per share amount)  
(UNAUDITED)

|       |                                                |              | Three-month periods ended September 30 |              |                   |              | Nine-month periods ended September 30 |              |                   |              |
|-------|------------------------------------------------|--------------|----------------------------------------|--------------|-------------------|--------------|---------------------------------------|--------------|-------------------|--------------|
|       |                                                |              | 2019                                   |              | 2018              |              | 2019                                  |              | 2018              |              |
| Items | Notes                                          |              | AMOUNT                                 | %            | AMOUNT            | %            | AMOUNT                                | %            | AMOUNT            | %            |
| 4000  | <b>Sales revenue</b>                           | 6(22)        | \$ 1,575,695                           | 100          | \$ 3,086,368      | 100          | \$ 4,796,484                          | 100          | \$ 8,877,914      | 100          |
| 5000  | <b>Operating costs</b>                         | 6(6)(26)(27) | ( 1,308,471)                           | ( 83)        | ( 2,711,453)      | ( 88)        | ( 4,016,577)                          | ( 84)        | ( 7,846,406)      | ( 88)        |
| 5900  | <b>Net operating margin</b>                    |              | <u>267,224</u>                         | <u>17</u>    | <u>374,915</u>    | <u>12</u>    | <u>779,907</u>                        | <u>16</u>    | <u>1,031,508</u>  | <u>12</u>    |
|       | <b>Operating expenses</b>                      | 6(26)(27)    |                                        |              |                   |              |                                       |              |                   |              |
| 6100  | Selling expenses                               |              | ( 13,381)                              | ( 1)         | ( 15,848)         | -            | ( 42,370)                             | ( 1)         | ( 48,577)         | ( 1)         |
| 6200  | General and administrative expenses            |              | ( 78,817)                              | ( 5)         | ( 86,836)         | ( 3)         | ( 233,637)                            | ( 5)         | ( 251,006)        | ( 3)         |
| 6300  | Research and development expenses              |              | ( 199,141)                             | ( 13)        | ( 219,589)        | ( 7)         | ( 595,358)                            | ( 12)        | ( 609,958)        | ( 7)         |
| 6450  | Expected credit gains(losses)                  | 12(2)        | ( 1,144)                               | -            | ( 26)             | -            | 8,058                                 | -            | ( 1,812)          | -            |
| 6000  | <b>Total operating expenses</b>                |              | <u>( 292,483)</u>                      | <u>( 19)</u> | <u>( 322,299)</u> | <u>( 10)</u> | <u>( 863,307)</u>                     | <u>( 18)</u> | <u>( 911,353)</u> | <u>( 11)</u> |
| 6900  | <b>Operating profit (loss)</b>                 |              | <u>( 25,259)</u>                       | <u>( 2)</u>  | <u>52,616</u>     | <u>2</u>     | <u>( 83,400)</u>                      | <u>( 2)</u>  | <u>120,155</u>    | <u>1</u>     |
|       | <b>Non-operating income and expenses</b>       |              |                                        |              |                   |              |                                       |              |                   |              |
| 7010  | Other income                                   | 6(23)        | 56,178                                 | 4            | 43,835            | 1            | 144,352                               | 3            | 134,597           | 2            |
| 7020  | Other gains and losses                         | 6(24)        | 8,638                                  | -            | 32,428            | 1            | 16,915                                | -            | 2,592             | -            |
| 7050  | Finance costs                                  | 6(25)        | ( 6,569)                               | -            | ( 6,408)          | -            | ( 19,679)                             | -            | ( 18,749)         | -            |
| 7000  | <b>Total non-operating income and expenses</b> |              | <u>58,247</u>                          | <u>4</u>     | <u>69,855</u>     | <u>2</u>     | <u>141,588</u>                        | <u>3</u>     | <u>118,440</u>    | <u>2</u>     |
| 7900  | <b>Profit before income tax</b>                |              | <u>32,988</u>                          | <u>2</u>     | <u>122,471</u>    | <u>4</u>     | <u>58,188</u>                         | <u>1</u>     | <u>238,595</u>    | <u>3</u>     |
| 7950  | Income tax expense                             | 6(28)        | ( 20,148)                              | ( 1)         | ( 39,772)         | ( 1)         | ( 38,453)                             | ( 1)         | ( 68,716)         | ( 1)         |
| 8200  | <b>Profit for the period</b>                   |              | <u>\$ 12,840</u>                       | <u>1</u>     | <u>\$ 82,699</u>  | <u>3</u>     | <u>\$ 19,735</u>                      | <u>-</u>     | <u>\$ 169,879</u> | <u>2</u>     |

(Continued)

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

|                                                                                                 |                                                                                                                |       | Three-month periods ended September 30 |              |                    |             | Nine-month periods ended September 30 |             |                   |          |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------|----------------------------------------|--------------|--------------------|-------------|---------------------------------------|-------------|-------------------|----------|
|                                                                                                 |                                                                                                                |       | 2019                                   |              | 2018               |             | 2019                                  |             | 2018              |          |
| Items                                                                                           | Notes                                                                                                          |       | AMOUNT                                 | %            | AMOUNT             | %           | AMOUNT                                | %           | AMOUNT            | %        |
| <b>Other comprehensive income</b>                                                               |                                                                                                                |       |                                        |              |                    |             |                                       |             |                   |          |
| <b>Components of other comprehensive income that will not be reclassified to profit or loss</b> |                                                                                                                |       |                                        |              |                    |             |                                       |             |                   |          |
| 8316                                                                                            | Unrealised losses from financial assets measured at fair value through other comprehensive income              | 6(3)  | (\$ 57,201)                            | ( 4)         | (\$ 12,169)        | ( 1)        | (\$ 54,465)                           | ( 1)        | (\$ 13,429)       | -        |
| 8349                                                                                            | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(28) | ( 35)                                  | -            | ( 726)             | -           | 197                                   | -           | ( 845)            | -        |
| 8310                                                                                            | <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>                |       | ( 57,236)                              | ( 4)         | ( 12,895)          | ( 1)        | ( 54,268)                             | ( 1)        | ( 14,274)         | -        |
| <b>Components of other comprehensive income that will be reclassified to profit or loss</b>     |                                                                                                                |       |                                        |              |                    |             |                                       |             |                   |          |
| 8361                                                                                            | Currency translation differences of foreign operations                                                         |       | ( 159,587)                             | ( 10)        | ( 187,229)         | ( 6)        | ( 63,701)                             | ( 1)        | ( 40,598)         | -        |
| 8399                                                                                            | Income tax relating to the components of other comprehensive income                                            | 6(28) | 31,517                                 | 2            | 37,309             | 1           | 13,510                                | -           | 20,300            | -        |
| 8360                                                                                            | <b>Components of other comprehensive loss that will be reclassified to profit or loss</b>                      |       | ( 128,070)                             | ( 8)         | ( 149,920)         | ( 5)        | ( 50,191)                             | ( 1)        | ( 20,298)         | -        |
| 8300                                                                                            | <b>Total other comprehensive loss for the period</b>                                                           |       | (\$ 185,306)                           | ( 12)        | (\$ 162,815)       | ( 6)        | (\$ 104,459)                          | ( 2)        | (\$ 34,572)       | -        |
| 8500                                                                                            | <b>Total comprehensive loss for the period</b>                                                                 |       | (\$ 172,466)                           | ( 11)        | (\$ 80,116)        | ( 3)        | (\$ 84,724)                           | ( 2)        | \$ 135,307        | 2        |
| <b>Profit (loss), attributable to:</b>                                                          |                                                                                                                |       |                                        |              |                    |             |                                       |             |                   |          |
| 8610                                                                                            | Owners of the parent                                                                                           |       | \$ 38,260                              | 3            | \$ 80,015          | 3           | \$ 83,052                             | 1           | \$ 109,062        | 1        |
| 8620                                                                                            | Non-controlling interest                                                                                       |       | ( 25,420)                              | ( 2)         | 2,684              | -           | ( 63,317)                             | ( 1)        | 60,817            | 1        |
| <b>Profit for the period</b>                                                                    |                                                                                                                |       | <u>\$ 12,840</u>                       | <u>1</u>     | <u>\$ 82,699</u>   | <u>3</u>    | <u>\$ 19,735</u>                      | <u>-</u>    | <u>\$ 169,879</u> | <u>2</u> |
| <b>Comprehensive (loss) income attributable to:</b>                                             |                                                                                                                |       |                                        |              |                    |             |                                       |             |                   |          |
| 8710                                                                                            | Owners of the parent                                                                                           |       | (\$ 145,043)                           | ( 9)         | (\$ 82,117)        | ( 3)        | (\$ 25,254)                           | ( 1)        | \$ 64,754         | 1        |
| 8720                                                                                            | Non-controlling interest                                                                                       |       | ( 27,423)                              | ( 2)         | 2,001              | -           | ( 59,470)                             | ( 1)        | 70,553            | 1        |
| <b>Total comprehensive income (loss) for the period</b>                                         |                                                                                                                |       | <u>(\$ 172,466)</u>                    | <u>( 11)</u> | <u>(\$ 80,116)</u> | <u>( 3)</u> | <u>(\$ 84,724)</u>                    | <u>( 2)</u> | <u>\$ 135,307</u> | <u>2</u> |
| 9750                                                                                            | <b>Basic earnings per share</b>                                                                                | 6(29) | <u>\$ 0.14</u>                         |              | <u>\$ 0.29</u>     |             | <u>\$ 0.30</u>                        |             | <u>\$ 0.40</u>    |          |
| 9850                                                                                            | <b>Diluted earnings per share</b>                                                                              | 6(29) | \$ 0.14                                |              | \$ 0.29            |             | \$ 0.30                               |             | \$ 0.40           |          |

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

ALTEK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(UNAUDITED)

| Equity attributable to owners of the parent                |                   |                            |               |                 |                                  |                                                        |                                                                                                                 |                 |              |                          |              |
|------------------------------------------------------------|-------------------|----------------------------|---------------|-----------------|----------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------|--------------|--------------------------|--------------|
| Notes                                                      | Retained Earnings |                            |               |                 |                                  | Other equity interest                                  |                                                                                                                 | Treasury stocks | Total        | Non-controlling interest | Total equity |
|                                                            | Common stock      | Additional paid-in capital | Legal reserve | Special reserve | Unappropriated retained earnings | Currency translation differences of foreign operations | Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income |                 |              |                          |              |
| <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(21)                 | -                 | -                          | -             | -               | 23,600                           | -                                                      | ( 23,600 )                                                                                                      | -               | -            | -                        | -            |
| Equity at beginning of period after adjustments            | 2,738,188         | 2,256,692                  | 1,379,754     | 142,456         | 2,760,626                        | ( 283,124 )                                            | ( 42,815 )                                                                                                      | ( 96,138 )      | 8,855,639    | 629,586                  | 9,485,225    |
| Profit for the period                                      | -                 | -                          | -             | -               | 109,062                          | -                                                      | -                                                                                                               | -               | 109,062      | 60,817                   | 169,879      |
| Other comprehensive income (loss) for the period 6(21)     | -                 | -                          | -             | -               | ( 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(20)                       | -                 | -                          | -             | -               | -                                | -                                                      | -                                                                                                               | -               | -            | -                        | -            |
| 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(16)(18)(19)(21)         | 3,200             | 6,624                      | -             | -               | -                                | -                                                      | 12,018                                                                                                          | -               | 21,842       | -                        | 21,842       |
| Treasury stock sold to employees 6(18)(19)                 | -                 | 1,246                      | -             | -               | -                                | -                                                      | -                                                                                                               | 96,138          | 97,384       | -                        | 97,384       |
| Retirement of employee restricted shares 6(16)(18)(19)(21) | ( 900 )           | ( 1,512 )                  | -             | -               | -                                | -                                                      | 2,412                                                                                                           | -               | -            | -                        | -            |
| Non-controlling interest                                   | -                 | -                          | -             | -               | -                                | -                                                      | -                                                                                                               | -               | -            | ( 10,007 )               | ( 10,007 )   |
| Balance at September 30, 2018                              | \$ 2,740,488      | \$ 2,263,050               | \$ 1,381,094  | \$ 425,580      | \$ 2,449,927                     | (\$ 313,158 )                                          | (\$ 42,540 )                                                                                                    | \$ -            | \$ 8,904,441 | \$ 690,132               | \$ 9,594,573 |
| <u>Nine-month period ended September 30, 2019</u>          |                   |                            |               |                 |                                  |                                                        |                                                                                                                 |                 |              |                          |              |
| Balance at January 1, 2019                                 | \$ 2,740,113      | \$ 2,262,397               | \$ 1,381,094  | \$ 425,580      | \$ 2,471,973                     | (\$ 256,833 )                                          | (\$ 38,105 )                                                                                                    | \$ -            | \$ 8,986,219 | \$ 675,362               | \$ 9,661,581 |
| Profit (loss) for the period                               | -                 | -                          | -             | -               | 83,052                           | -                                                      | -                                                                                                               | -               | 83,052       | ( 63,317 )               | 19,735       |
| Other comprehensive income (loss) for the period 6(21)     | -                 | -                          | -             | -               | -                                | ( 54,038 )                                             | ( 54,268 )                                                                                                      | -               | ( 108,306 )  | 3,847                    | ( 104,459 )  |
| Total comprehensive income (loss)                          | -                 | -                          | -             | -               | 83,052                           | ( 54,038 )                                             | ( 54,268 )                                                                                                      | -               | ( 25,254 )   | ( 59,470 )               | ( 84,724 )   |
| Appropriation of 2018 earnings 6(20)                       | -                 | -                          | -             | -               | -                                | -                                                      | -                                                                                                               | -               | -            | -                        | -            |
| Legal reserve                                              | -                 | -                          | 13,057        | -               | ( 13,057 )                       | -                                                      | -                                                                                                               | -               | -            | -                        | -            |
| Special reserve                                            | -                 | -                          | -             | 10,099          | ( 10,099 )                       | -                                                      | -                                                                                                               | -               | -            | -                        | -            |
| Cash dividends                                             | -                 | -                          | -             | -               | ( 137,005 )                      | -                                                      | -                                                                                                               | -               | ( 137,005 )  | -                        | ( 137,005 )  |
| Share-based payment transactions 6(16)(21)                 | -                 | -                          | -             | -               | -                                | -                                                      | 5,392                                                                                                           | -               | 5,392        | -                        | 5,392        |
| Restricted stock 6(16)(18)(19)(21)                         | 14,500            | 19,430                     | -             | -               | -                                | -                                                      | ( 33,930 )                                                                                                      | -               | -            | -                        | -            |
| Balance at September 30, 2019                              | \$ 2,754,613      | \$ 2,281,827               | \$ 1,394,151  | \$ 435,679      | \$ 2,394,864                     | (\$ 310,871 )                                          | (\$ 120,911 )                                                                                                   | \$ -            | \$ 8,829,352 | \$ 615,892               | \$ 9,445,244 |

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)

|                                                                                  |                 | <u>Nine-month periods ended September 30</u> |                    |
|----------------------------------------------------------------------------------|-----------------|----------------------------------------------|--------------------|
|                                                                                  | <u>Notes</u>    | <u>2019</u>                                  | <u>2018</u>        |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>                                      |                 |                                              |                    |
| Profit before tax                                                                |                 | \$ 58,188                                    | \$ 238,595         |
| Adjustments                                                                      |                 |                                              |                    |
| Adjustments to reconcile profit (loss)                                           |                 |                                              |                    |
| Depreciation                                                                     | 6(8)(9)(10)(26) | 150,519                                      | 168,804            |
| Amortisation                                                                     | 6(11)(26)       | 17,220                                       | 21,967             |
| Expected credit losses (gains)                                                   | 12(2)           | ( 8,058 )                                    | 1,812              |
| Net gain on financial assets at fair value through profit or loss                | 6(2)(24)        | ( 8,150 )                                    | ( 1,281 )          |
| Interest expense                                                                 | 6(25)           | 19,679                                       | 18,749             |
| Interest income                                                                  | 6(23)           | ( 110,751 )                                  | ( 89,498 )         |
| Dividend income                                                                  | 6(23)           | ( 763 )                                      | ( 915 )            |
| Share-based payment compensation cost                                            | 6(16)(27)       | 5,392                                        | 14,799             |
| Reversal of impairment loss on investments accounted for under the equity method | 6(24)           | ( 651 )                                      | -                  |
| (Gain) loss on disposal of property, plant and equipment                         | 6(24)           | ( 84 )                                       | 1,370              |
| Changes in operating assets and liabilities                                      |                 |                                              |                    |
| Changes in operating assets                                                      |                 |                                              |                    |
| Financial assets at fair value through profit or loss                            |                 | -                                            | ( 184,937 )        |
| Contract assets                                                                  |                 | -                                            | ( 857 )            |
| Notes receivable                                                                 |                 | 1,340,123                                    | ( 1,764,450 )      |
| Accounts receivable                                                              |                 | 1,317,767                                    | ( 808,314 )        |
| Other receivables                                                                |                 | 17,250                                       | ( 14,947 )         |
| Inventories                                                                      |                 | 83,877                                       | 91,921             |
| Prepayments                                                                      |                 | ( 45,108 )                                   | 47,990             |
| Other current assets                                                             |                 | 2,541                                        | 5,390              |
| Changes in operating liabilities                                                 |                 |                                              |                    |
| Current contract liabilities                                                     |                 | 27,660                                       | -                  |
| Notes payable                                                                    |                 | ( 1,061,219 )                                | 1,217,207          |
| Accounts payable                                                                 |                 | ( 830,265 )                                  | 686,456            |
| Other payables                                                                   |                 | ( 39,707 )                                   | ( 12,833 )         |
| Provisions for liabilities                                                       |                 | 10,459                                       | 20,649             |
| Other current liabilities                                                        |                 | ( 40,734 )                                   | 46,515             |
| Other non-current liabilities                                                    |                 | 76                                           | 90                 |
| Cash inflow (outflow) generated from operations                                  |                 | 905,261                                      | ( 295,718 )        |
| Interest received                                                                |                 | 84,370                                       | 84,299             |
| Dividends received                                                               |                 | 763                                          | 915                |
| Interest paid                                                                    |                 | ( 18,496 )                                   | ( 17,153 )         |
| Income tax paid                                                                  |                 | ( 43,156 )                                   | ( 59,846 )         |
| Net cash flows from (used in) operating activities                               |                 | <u>928,742</u>                               | <u>( 287,503 )</u> |

(Continued)

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

|                                                                                      | Notes | Nine-month periods ended September 30 |              |
|--------------------------------------------------------------------------------------|-------|---------------------------------------|--------------|
|                                                                                      |       | 2019                                  | 2018         |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                                          |       |                                       |              |
| Acquisition of financial assets at amortised cost                                    |       | ( \$ 514,435 )                        | \$ -         |
| Proceeds from disposal of financial assets at fair value through profit or loss      |       | 237                                   | -            |
| Proceeds from capital reduction of investments accounted for under the equity method |       | 27,529                                | -            |
| Acquisition of property, plant and equipment                                         | 6(31) | ( 12,511 )                            | ( 27,961 )   |
| Proceeds from disposal of property, plant and equipment                              |       | 197                                   | 42,140       |
| Increase in intangible assets                                                        | 6(31) | ( 4,131 )                             | ( 6,692 )    |
| Acquisition of investment property                                                   |       | -                                     | ( 8,000 )    |
| Increase in deposits-out                                                             |       | ( 890 )                               | ( 4,651 )    |
| Net cash flows used in investing activities                                          |       | ( 504,004 )                           | ( 5,164 )    |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>                                          |       |                                       |              |
| Increase in short-term borrowings                                                    | 6(32) | 450,000                               | -            |
| Repayment of short-term borrowings                                                   | 6(32) | -                                     | ( 376,000 )  |
| Proceeds from issuance of short-term notes and bills payable                         | 6(32) | 479,580                               | 798,756      |
| Repayment of short-term notes and bills payable                                      | 6(32) | ( 300,000 )                           | ( 800,000 )  |
| Increase in long-term borrowings                                                     | 6(32) | -                                     | 600,000      |
| Repayment of long-term borrowings                                                    | 6(32) | ( 600,000 )                           | -            |
| Increase (decrease) in deposits-in                                                   | 6(32) | 2,241                                 | ( 3,233 )    |
| Lease liabilities principal repayment                                                | 6(32) | ( 5,967 )                             | -            |
| Cash dividends for capital surplus                                                   | 6(20) | -                                     | ( 135,178 )  |
| Employee stock options exercised                                                     |       | -                                     | 9,824        |
| Treasury shares sold to employees                                                    |       | -                                     | 94,603       |
| Net cash flows from financing activities                                             |       | 25,854                                | 188,772      |
| Effect of exchange rate                                                              |       | ( 14,749 )                            | 38,210       |
| Net increase (decrease) in cash and cash equivalents                                 |       | 435,843                               | ( 65,685 )   |
| Cash and cash equivalents at beginning of period                                     | 6(1)  | 6,495,017                             | 5,874,982    |
| Cash and cash equivalents at end of period                                           | 6(1)  | \$ 6,930,860                          | \$ 5,809,297 |

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

ALTEK CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018  
(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 reported to the Board of Directors and issued on November 4, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New Standards, Interpretations and Amendments                                | Effective date by<br>International Accounting<br>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.

## IFRS 16, 'Leases'

- A. 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.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased both 'right-of-use asset' and 'lease liability' by \$107,196 on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - (b) The accounting for operating leases whose period will end before December 31, 2019 are treated as short-term leases and accordingly, rent expense of \$6,456 was recognised in the third quarter of 2019.
  - (c) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (d) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.1% to 1.25%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

|                                                                                                     |    |            |
|-----------------------------------------------------------------------------------------------------|----|------------|
| Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018                    | \$ | 44,230     |
| Less: Short-term leases                                                                             | (  | 425)       |
| Add: Adjustments as a result of a different treatment of extension and termination options          |    | 83,294     |
| Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019 |    | 127,099    |
| Incremental borrowing interest rate at the date of initial application                              |    | 1.1%~1.25% |
| Lease liabilities recognised as at January 1, 2019 by applying IFRS 16                              | \$ | 107,196    |

(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 2020 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                                            |

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

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

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

| New Standards, Interpretations and Amendments                                                                             | Effective date by International Accounting Standards Board   |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Amendments to 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, 2018, 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 2018 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.

##### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

Basis for preparation of consolidated financial statements is consistent with the 2018 consolidated financial statements.

## B. Subsidiaries included in the consolidated financial statements:

| Name of Investor                         | Name of Subsidiaries                         | Main Business Activities                                                                        | Ownership (%)      |                   |                    | Note            |
|------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------|-------------------|--------------------|-----------------|
|                                          |                                              |                                                                                                 | September 30, 2019 | December 31, 2018 | September 30, 2018 |                 |
| Altek Corporation                        | Altek International Investment Co., Ltd.     | Investments                                                                                     | 100                | 100               | 100                | -               |
| "                                        | Altek Japan Corporation                      | Sales of optical instruments                                                                    | 100                | 100               | 100                | Note 4          |
| "                                        | Altek Investment Co., Ltd.                   | Investments                                                                                     | -                  | 100               | 100                | Note 3 、 Note 4 |
| "                                        | Altek International Holding (BVI) Co., Ltd.  | Investments                                                                                     | 100                | 100               | 100                | Note 4          |
| Altek International Investment Co., Ltd. | Altek Lab Inc.                               | Design service                                                                                  | 100                | 100               | 100                | Note 4          |
| "                                        | Altek Optical (Cayman) Co., Ltd.             | Investments                                                                                     | 100                | 100               | 100                | Note 4          |
| "                                        | Altek Semiconductor (Cayman) Co., Ltd.       | Investments                                                                                     | 50                 | 50                | 50                 | -               |
| "                                        | Altek International Trading Co., Ltd.        | Investments and general business operations                                                     | 100                | -                 | -                  | Note 4 、 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 4          |
| Note 1                                   | Altek Precision (Kunshan) Co., Ltd.          | Manufacture and sales of digital camera parts                                                   | 100                | 100               | 100                | Note 4          |
| Note 1                                   | Altek Trading (Shanghai) Limited             | Wholesale, import and export of related electronic and their associated accessories             | 100                | 100               | 100                | Note 4          |
| Note 2                                   | Altek Biotechnology Corporation              | Research and development, manufacture and sales of medical electronic equipments                | 100                | 100               | 100                | Note 4          |
| Altek Semiconductor (Cayman) Co., Ltd.   | Altek Semiconductor Corporation              | Research design and sales of ASIC                                                               | 100                | 100               | 100                | Note 5          |
| "                                        | Altek Semiconductor (Shanghai) Co., Ltd.     | Research design and sales of imaging technologies, electronic software and hardware             | 100                | 100               | 100                | Note 4          |
| 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 4          |

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: The dissolution and liquidation of Altek Investment Co., Ltd. was resolved by the Board of Directors on December 17, 2018. Moreover, the liquidation was completed as approved by the court on April 25, 2019.

Note 4: As the subsidiaries did not meet the definition of significant subsidiaries, the financial statements as of September 30, 2019 and 2018 were not reviewed by independent accountants.

Note 5: As the subsidiaries met the definition of significant subsidiaries in 2018, the financial statements as of September 30, 2018 were reviewed by independent accountants.

Note 6: It was invested by Altek International Investment Co., Ltd., and was incorporated in July 2019.

- 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) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Lease payments are comprised of the fixed payments, less any lease incentives receivable.  
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability; and
  - (b) Any initial direct costs incurred by the lessee.
 The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.  
When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(5) Employee benefits

Pension-Defined benefit plans

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. And, the related information is disclosed accordingly.

(6) 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 recognises 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.

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

There have been no significant changes as of September 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

|                                       | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Cash on hand                          | \$ 827                    | \$ 1,070                 | \$ 1,020                  |
| Checking accounts and demand deposits | 329,836                   | 933,058                  | 681,008                   |
| Time deposits                         | 6,600,197                 | 5,560,889                | 5,127,269                 |
| Total                                 | <u>\$ 6,930,860</u>       | <u>\$ 6,495,017</u>      | <u>\$ 5,809,297</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, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Current items:           |                           |                          |                           |
| Beneficiary certificates | \$ -                      | \$ -                     | \$ 766,682                |
| Valuation adjustment     | -                         | -                        | 4,335                     |
| Total                    | <u>\$ -</u>               | <u>\$ -</u>              | <u>\$ 771,017</u>         |
| Non-current items:       |                           |                          |                           |
| Unlisted stocks          | \$ 10,312                 | \$ 12,731                | \$ 16,647                 |
| Valuation adjustment     | 21,284                    | 10,952                   | ( 6,046)                  |
| Total                    | <u>\$ 31,596</u>          | <u>\$ 23,683</u>         | <u>\$ 10,601</u>          |

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

|                          | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|--------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Equity instruments       | \$ 2,032                                                  | \$ -                                                      |
| Beneficiary certificates | -                                                         | 866                                                       |
| Total                    | <u>\$ 2,032</u>                                           | <u>\$ 866</u>                                             |
|                          | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Equity instruments       | \$ 8,150                                                  | \$ -                                                      |
| Beneficiary certificates | -                                                         | 2,508                                                     |
| Total                    | <u>\$ 8,150</u>                                           | <u>\$ 2,508</u>                                           |

B. As of September 30, 2019, December 31, 2018, and September 30, 2018, no financial assets measured at cost held by the Group were pledged to others.

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

| Items                | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------------|--------------------|-------------------|--------------------|
| Non-current items :  |                    |                   |                    |
| Equity instruments   |                    |                   |                    |
| Unlisted stocks      | \$ 149,152         | \$ 150,124        | \$ 149,697         |
| Valuation adjustment | ( 90,081)          | ( 35,616)         | ( 37,029)          |
|                      | <u>\$ 59,071</u>   | <u>\$ 114,508</u> | <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 \$59,071, \$114,508, and \$112,668, respectively, as at September 30, 2019, December 31, 2018, and September 30, 2018.

B. The Group recognized fair value change in other comprehensive loss of (\$57,201) and (\$12,169) for the three-month periods ended September 30, 2019 and 2018, respectively, and of (\$54,465) and (\$13,429) for the nine-month periods ended September 30, 2019 and 2018, respectively.

C. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$59,071, \$114,508 and \$112,668, respectively.

D. As at September 30, 2019, December 31, 2018 and September 30, 2018, no non-current financial assets at fair value through other comprehensive income held by the Group were pledged to others.

(4) Financial assets at amortised cost

| Items                                         | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-----------------------------------------------|--------------------|-------------------|--------------------|
| Current items:                                |                    |                   |                    |
| Time deposits with maturity over three months | \$ 379,976         | \$ 261,228        | \$ -               |
| Non-current items:                            |                    |                   |                    |
| Time deposits with maturity over three months | \$ 373,029         | \$ -              | \$ -               |

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

|                 |                                                     |                                                     |
|-----------------|-----------------------------------------------------|-----------------------------------------------------|
|                 | For the three-month period ended September 30, 2019 | For the three-month period ended September 30, 2018 |
| Interest income | \$ 5,038                                            | \$ -                                                |
|                 | For the nine-month period ended September 30, 2019  | For the nine-month period ended September 30, 2018  |
| Interest income | \$ 13,053                                           | \$ -                                                |

B. The Group has no financial assets at amortised cost pledged to others.

(5) Notes and accounts receivable

|                                            | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------------------------------------------|--------------------|-------------------|--------------------|
| Notes receivable                           | \$ 61,239          | \$ 1,387,222      | \$ 1,733,389       |
| Accounts receivable                        | \$ 1,124,838       | \$ 2,430,654      | \$ 3,099,503       |
| Less: Allowance for uncollectible accounts | ( 7,044)           | ( 15,879)         | ( 9,693)           |
|                                            | \$ 1,117,794       | \$ 2,414,775      | \$ 3,089,810       |

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

|                | September 30, 2019 |                     | December 31, 2018 |                     | September 30, 2018 |                     |
|----------------|--------------------|---------------------|-------------------|---------------------|--------------------|---------------------|
|                | Notes receivable   | Accounts receivable | Notes receivable  | Accounts receivable | Notes receivable   | Accounts receivable |
| Not overdue    | \$ 61,239          | \$ 1,049,743        | \$ 1,387,222      | \$ 2,146,832        | \$ 1,733,389       | \$ 2,909,681        |
| Up to 30 days  | -                  | 13,381              | -                 | 67,351              | -                  | 77,636              |
| 31 to 90 days  | -                  | 12,968              | -                 | 174,273             | -                  | 21,024              |
| 91 to 180 days | -                  | 39,147              | -                 | 29,761              | -                  | 25                  |
| Over 181 days  | -                  | 9,599               | -                 | 12,437              | -                  | 91,137              |
|                | \$ 61,239          | \$ 1,124,838        | \$ 1,387,222      | \$ 2,430,654        | \$ 1,733,389       | \$ 3,099,503        |

The above ageing analysis was based on past due date.

B. As at September 30, 2019, December 31, 2018 and September 30, 2018, the balances of receivables (including notes receivable) all from contracts with customers.

C. The Group's notes and accounts receivable does not hold any collateral as security.

D. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$61,239, \$1,387,222 and \$1,733,389, respectively. The maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$1,117,794, \$2,414,775 and \$3,089,810, respectively.

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

(6) Inventories

| September 30, 2019 |                     |                              |                     |
|--------------------|---------------------|------------------------------|---------------------|
|                    | Cost                | Allowance for valuation loss | Book value          |
| Raw materials      | \$ 601,503          | (\$ 34,819)                  | \$ 566,684          |
| Work-in-process    | 214,101             | ( 5,468)                     | 208,633             |
| Finished goods     | 148,349             | ( 23,226)                    | 125,123             |
| Total              | <u>\$ 963,953</u>   | <u>(\$ 63,513)</u>           | <u>\$ 900,440</u>   |
| December 31, 2018  |                     |                              |                     |
|                    | Cost                | Allowance for valuation loss | Book value          |
| Raw materials      | \$ 688,388          | (\$ 34,641)                  | \$ 653,747          |
| Work-in-process    | 95,968              | ( 7,558)                     | 88,410              |
| Finished goods     | 268,788             | ( 11,733)                    | 257,055             |
| Total              | <u>\$ 1,053,144</u> | <u>(\$ 53,932)</u>           | <u>\$ 999,212</u>   |
| 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> |

The cost of inventories recognized as expense for the periods:

|                                                       | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|-------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Cost of goods sold                                    | \$ 1,309,823                                              | \$ 2,705,071                                              |
| (Gain on reversal of) Loss on decline in market value | ( 1,352)                                                  | 6,382                                                     |
| Total                                                 | <u>\$ 1,308,471</u>                                       | <u>\$ 2,711,453</u>                                       |

  

|                                                        | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|--------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Cost of goods sold                                     | \$ 4,006,996                                             | \$ 7,851,483                                             |
| Loss on (gain on reversal of ) decline in market value | 9,581                                                    | ( 5,077)                                                 |
| Total                                                  | <u>\$ 4,016,577</u>                                      | <u>\$ 7,846,406</u>                                      |

For the three-month period ended September 30, 2019 and for the nine-month period ended September 30 2018, the Group reversed from a previous inventory write-down and accounted for as reduction of operating cost because inventory that has been appropriated as loss on decline in market value was partially sold.

(7) Investments accounted for under the equity method

|                                      | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--------------------------------------|--------------------|-------------------|--------------------|
| JinJing Optical Technology Co., Ltd. | \$ 17,109          | \$ 44,524         | \$ 44,028          |
| Less: Accumulated impairment loss    | ( 17,109)          | ( 17,756)         | ( 44,028)          |
|                                      | <u>\$ -</u>        | <u>\$ 26,768</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, 2019, December 31, 2018 and September 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to \$0, \$26,768 and \$0, respectively.

|                                                  | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|--------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Income for the period from continuing operations | \$ 51                                                    | \$ 113,623                                               |
| Other comprehensive loss - net of tax            | -                                                        | -                                                        |
| Total comprehensive income                       | <u>\$ 51</u>                                             | <u>\$ 113,623</u>                                        |

(8) Property, plant and equipment

2019

|                          | Land              | Buildings and<br>structures | Machinery         | Test equipment  | Construction in<br>progress and<br>prepayment for<br>equipment | Others           | Total               |
|--------------------------|-------------------|-----------------------------|-------------------|-----------------|----------------------------------------------------------------|------------------|---------------------|
| At January 1             |                   |                             |                   |                 |                                                                |                  |                     |
| Cost                     | \$ 468,684        | \$ 3,316,999                | \$ 1,089,739      | \$ 157,605      | \$ 10,459                                                      | \$ 461,630       | \$ 5,505,116        |
| Accumulated depreciation | -                 | ( 765,750)                  | ( 768,358)        | ( 151,959)      | -                                                              | ( 442,704)       | ( 2,128,771)        |
|                          | <u>\$ 468,684</u> | <u>\$ 2,551,249</u>         | <u>\$ 321,381</u> | <u>\$ 5,646</u> | <u>\$ 10,459</u>                                               | <u>\$ 18,926</u> | <u>\$ 3,376,345</u> |
| Opening net book amount  | \$ 468,684        | \$ 2,551,249                | \$ 321,381        | \$ 5,646        | \$ 10,459                                                      | \$ 18,926        | \$ 3,376,345        |
| Additions                | -                 | 2,335                       | 1,871             | 170             | 7,281                                                          | 1,176            | 12,833              |
| Disposals                | -                 | -                           | -                 | ( 54)           | -                                                              | ( 59)            | ( 113)              |
| Reclassifications        | -                 | 9,094                       | -                 | -               | ( 9,481)                                                       | 387              | -                   |
| Depreciation charge      | -                 | ( 66,138)                   | ( 61,775)         | ( 2,631)        | -                                                              | ( 8,687)         | ( 139,231)          |
| Net exchange differences | -                 | ( 31,114)                   | ( 4,315)          | ( 22)           | ( 162)                                                         | ( 56)            | ( 35,669)           |
| Closing net book amount  | <u>\$ 468,684</u> | <u>\$ 2,465,426</u>         | <u>\$ 257,162</u> | <u>\$ 3,109</u> | <u>\$ 8,097</u>                                                | <u>\$ 11,687</u> | <u>\$ 3,214,165</u> |
| At September 30          |                   |                             |                   |                 |                                                                |                  |                     |
| Cost                     | \$ 468,684        | \$ 3,286,729                | \$ 1,067,387      | \$ 155,153      | \$ 8,097                                                       | \$ 420,724       | \$ 5,406,774        |
| Accumulated depreciation | -                 | ( 821,303)                  | ( 810,225)        | ( 152,044)      | -                                                              | ( 409,037)       | ( 2,192,609)        |
|                          | <u>\$ 468,684</u> | <u>\$ 2,465,426</u>         | <u>\$ 257,162</u> | <u>\$ 3,109</u> | <u>\$ 8,097</u>                                                | <u>\$ 11,687</u> | <u>\$ 3,214,165</u> |

| 2018                     |                   |                          |                   |                  |                                                       |                  |                     |
|--------------------------|-------------------|--------------------------|-------------------|------------------|-------------------------------------------------------|------------------|---------------------|
|                          | Land              | Buildings and structures | Machinery         | Test equipment   | Construction in progress and prepayment for equipment | Others           | Total               |
| At January 1             |                   |                          |                   |                  |                                                       |                  |                     |
| 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> |
| 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          |                   |                          |                   |                  |                                                       |                  |                     |
| 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> |

A. For the nine-month periods ended September 30, 2019 and 2018, 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.

(9) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 1 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise part of buildings and structures. Low-value assets comprise copy machines.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

|                                              | <u>September 30, 2019</u> |
|----------------------------------------------|---------------------------|
|                                              | <u>Carrying amount</u>    |
| Land                                         | \$ 125,516                |
| Buildings                                    | 3,809                     |
| Transportation equipment (Business vehicles) | <u>3,241</u>              |
|                                              | <u>\$ 132,566</u>         |

|                                              | <u>For the three-month<br/>period ended<br/>September 30, 2019</u> | <u>For the nine-month<br/>period ended<br/>September 30, 2019</u> |
|----------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|
|                                              | <u>Depreciation charge</u>                                         | <u>Depreciation charge</u>                                        |
| Land                                         | \$ 1,008                                                           | \$ 3,037                                                          |
| Buildings                                    | 431                                                                | 1,305                                                             |
| Transportation equipment (Business vehicles) | <u>531</u>                                                         | <u>1,833</u>                                                      |
|                                              | <u>\$ 1,970</u>                                                    | <u>\$ 6,175</u>                                                   |

- D. The information on income and expense accounts relating to lease contracts is as follows:

|                                       | <u>For the three-month<br/>period ended<br/>September 30, 2019</u> | <u>For the nine-month<br/>period ended<br/>September 30, 2019</u> |
|---------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|
| <u>Items affecting profit or loss</u> |                                                                    |                                                                   |
| Interest expense on lease liabilities | \$ 293                                                             | \$ 878                                                            |
| Expense on short-term lease contracts | 1,986                                                              | 6,456                                                             |
| Expense on leases of low-value assets | <u>22</u>                                                          | <u>82</u>                                                         |
|                                       | <u>\$ 2,301</u>                                                    | <u>\$ 7,416</u>                                                   |

- E. For the nine-month period ended September 30, 2019, the Group's total cash outflow for leases amounted to \$12,505.

# F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

## (10) Investment property

|                          | 2019              |                          |                   |
|--------------------------|-------------------|--------------------------|-------------------|
|                          | Land              | Buildings and structures | Total             |
| At January 1             |                   |                          |                   |
| Cost                     | \$ 573,532        | \$ 245,710               | \$ 819,242        |
| Accumulated depreciation | -                 | (48,691)                 | (48,691)          |
|                          | <u>\$ 573,532</u> | <u>\$ 197,019</u>        | <u>\$ 770,551</u> |
| Opening net book amount  | \$ 573,532        | \$ 197,019               | \$ 770,551        |
| Depreciation charge      | -                 | (5,113)                  | (5,113)           |
| Closing net book amount  | <u>\$ 573,532</u> | <u>\$ 191,906</u>        | <u>\$ 765,438</u> |
| At September 30          |                   |                          |                   |
| Cost                     | \$ 573,532        | \$ 245,710               | \$ 819,242        |
| Accumulated depreciation | -                 | (53,804)                 | (53,804)          |
|                          | <u>\$ 573,532</u> | <u>\$ 191,906</u>        | <u>\$ 765,438</u> |
|                          | 2018              |                          |                   |
|                          | Land              | Buildings and structures | Total             |
| At January 1             |                   |                          |                   |
| 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> |
| 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          |                   |                          |                   |
| 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> |

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

|                                                                                                                        | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Rental income from investment property                                                                                 | \$ <u>6,529</u>                                           | \$ <u>6,529</u>                                           |
| Direct operating expenses arising<br>from the investment property that<br>generated rental income during the<br>period | \$ <u>2,076</u>                                           | \$ <u>2,076</u>                                           |
|                                                                                                                        | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Rental income from investment property                                                                                 | \$ <u>19,599</u>                                          | \$ <u>19,599</u>                                          |
| Direct operating expenses arising<br>from the investment property that<br>generated rental income during the<br>period | \$ <u>6,215</u>                                           | \$ <u>6,185</u>                                           |

- B. As at September 30, 2019, December 31, 2018 and 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.

(11) Intangible assets

|                          | 2019              | 2018              |
|--------------------------|-------------------|-------------------|
| At January 1             |                   |                   |
| Cost                     | \$ 168,707        | \$ 165,921        |
| Accumulated amortisation | ( 68,565)         | ( 44,383)         |
|                          | <u>\$ 100,142</u> | <u>\$ 121,538</u> |
| Opening net book amount  | \$ 100,142        | \$ 121,538        |
| Additions                | 3,600             | 3,801             |
| Amortisation charge      | ( 17,220)         | ( 21,269)         |
| Net exchange differences | 704               | 1,676             |
| Closing net book amount  | <u>\$ 87,226</u>  | <u>\$ 105,746</u> |
| At September 30          |                   |                   |
| Cost                     | \$ 169,847        | \$ 167,424        |
| Accumulated amortisation | ( 82,621)         | ( 61,678)         |
|                          | <u>\$ 87,226</u>  | <u>\$ 105,746</u> |

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

|                   | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|-------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Operating costs   | \$ 42                                                     | \$ 240                                                    |
| Operating expense | 5,291                                                     | 6,394                                                     |
|                   | <u>\$ 5,333</u>                                           | <u>\$ 6,634</u>                                           |
|                   | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Operating costs   | \$ 129                                                    | \$ 2,473                                                  |
| Operating expense | 17,091                                                    | 18,796                                                    |
|                   | <u>\$ 17,220</u>                                          | <u>\$ 21,269</u>                                          |

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

(12) Short-term borrowings

| Type of borrowings   | September 30, 2019  | Interest rate range | Collateral |
|----------------------|---------------------|---------------------|------------|
| Bank borrowings      |                     |                     |            |
| Unsecured borrowings | \$ <u>2,210,000</u> | 0.9% ~1%            | None       |
| Type of borrowings   | December 31, 2018   | Interest rate range | Collateral |
| Bank borrowings      |                     |                     |            |
| Unsecured borrowings | \$ <u>1,760,000</u> | 1% ~1.0758%         | None       |
| Type of borrowings   | September 30, 2018  | Interest rate range | Collateral |
| Bank borrowings      |                     |                     |            |
| Unsecured borrowings | \$ <u>1,645,000</u> | 1% ~1.13%           | None       |

(13) Short-term notes and bills payable

|                                                      | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------------------------------------------------|--------------------|-------------------|--------------------|
| Commercial paper payable                             | \$ 180,000         | \$ -              | \$ 200,000         |
| Less: Discount on short-term notes and bills payable | ( <u>118</u> )     | -                 | ( <u>186</u> )     |
|                                                      | \$ <u>179,882</u>  | \$ -              | \$ <u>199,814</u>  |
| Interest rate ranges                                 | <u>0.999%</u>      | -                 | <u>0.85%</u>       |

(14) Long-term borrowings

September 30, 2019 : None.

| Type of borrowings    | Borrowing period and repayment term                                                 | Interest rate range | Collateral | December 31, 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> |

| Type of borrowings    | Borrowing period<br>and repayment term                                              | Interest rate<br>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<br>(Note) | \$ 600,000         |
| Less: Current portion |                                                                                     |                        |               | -                  |
|                       |                                                                                     |                        |               | <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.

#### (15) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company 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 \$0 and \$3 for the three-month periods ended September 30, 2019 and 2018, and of \$88 and \$99 for the nine-month periods ended September 30, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 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 an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. For the three-month periods ended September 30, 2019 and 2018, the Group

had recognized pension costs of \$7,156 and \$7,335, and for the nine-month periods ended September 30, 2019 and 2018, the Group had recognized pension costs of \$21,678 and \$21,665 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 \$4,701 and \$6,369 for the three-month periods ended September 30, 2019 and 2018, respectively, and of \$15,598 and \$20,792 for the nine-month periods ended September 30, 2019 and 2018, respectively.

(16) Share-based payment

- A. As of September 30, 2019 and 2018, the Company's share-based payment arrangements were as follows:

| Type of arrangement                                            | Grant date        | Quantity granted | Contract period | Vesting conditions |
|----------------------------------------------------------------|-------------------|------------------|-----------------|--------------------|
| Employee stock options                                         | October 28, 2011  | 3,000            | 9.2 years       | Note 1             |
| "                                                              | March 21, 2012    | 3,000            | 8.9 years       | Note 1             |
| First time issuance of restricted shares to employees (2015-1) | November 13, 2015 | 2,440            | 3 years         | Note 2, Note 4     |
| "                                                              | March 18, 2016    | 1,190            | 3 years         | Note 2, Note 4     |
| "                                                              | May 5, 2016       | 370              | 3 years         | Note 2, Note 4     |
| First time issuance of restricted shares to employees (2018-1) | August 12, 2019   | 630              | 3 years         | Note 3, Note 4     |
| First time issuance of restricted shares to employees (2019-1) | August 12, 2019   | 820              | 3 years         | Note 3, Note 4     |
| 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 restricted shares were issued at no consideration to the Company's existing employees whose service years have reached 1 year, 2 years and 3 years and who achieved the performance requirement. The vested ratio is 40%, 30% and 30%, 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 4: 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, 2019 and 2018, 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<br>ended September 30, 2019 |                                                          | For the nine-month period<br>ended September 30, 2018 |                                                          |
|--------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------|
|                                                                    | No. of options                                        | Weighted-average<br>exercise price<br>(in dollars)(Note) | No. of options                                        | Weighted-average<br>exercise price<br>(in dollars)(Note) |
| Options outstanding at<br>beginning of the period                  | 1,941                                                 | \$ 30.61                                                 | 2,453                                                 | \$ 30.62                                                 |
| Option expired                                                     | ( 180)                                                | -                                                        | ( 192)                                                | -                                                        |
| Options exercised                                                  | -                                                     | -                                                        | ( 320)                                                | 30.70                                                    |
| Options outstanding at end<br>of the period                        | <u>1,761</u>                                          | 30.60                                                    | <u>1,941</u>                                          | 30.61                                                    |
| Options exercisable at end<br>of the period                        | <u>1,761</u>                                          | 30.60                                                    | <u>1,941</u>                                          | 30.61                                                    |
| Approved and not yet<br>issued options at the end<br>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) No stock options were exercised during the three-month and nine-month periods ended September 30, 2019. The weighted-average stock price of stock options at exercise dates for the three-month and nine-month periods ended September 30, 2018 was \$34.28 and \$33.42, respectively.

(c) The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

| Issue date<br>approved | Expiry date       | September 30, 2019              |                                          | December 31, 2018               |                                          | September 30, 2018              |                                          |
|------------------------|-------------------|---------------------------------|------------------------------------------|---------------------------------|------------------------------------------|---------------------------------|------------------------------------------|
|                        |                   | No. of shares<br>(in thousands) | Exercise price<br>(in dollars)<br>(Note) | No. of shares<br>(in thousands) | Exercise price<br>(in dollars)<br>(Note) | No. of shares<br>(in thousands) | Exercise price<br>(in dollars)<br>(Note) |
| October 28, 2011       | December 31, 2020 | 920                             | \$ 30.7                                  | 1,100                           | \$ 30.7                                  | 1,100                           | \$ 30.7                                  |
| March 21, 2012         | December 31, 2020 | 841                             | 30.5                                     | 841                             | 30.5                                     | 841                             | 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.

(d) 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<br>(in dollars) | Exercise price<br>(Note)<br>(in dollars) | Expected price<br>volatility | Expected option<br>life | Expected dividends | Risk-free<br>interest rate | Fair value<br>per unit<br>(in dollars) |
|------------------------|------------------|-----------------------------|------------------------------------------|------------------------------|-------------------------|--------------------|----------------------------|----------------------------------------|
| Employee stock options | 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:

The information on restricted shares to employees is as follows:

|                                       | For the nine-month<br>period ended<br>September 30, 2019<br>(share in thousands) | For the nine-month<br>period ended<br>September 30, 2018<br>(share in thousands) |
|---------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Shares ungranted beginning balance    | 715                                                                              | 3,435                                                                            |
| Shares granted                        | 1,450                                                                            | -                                                                                |
| Shares exercised                      | ( 715)                                                                           | ( 1,718)                                                                         |
| Restricted shares forfeited - retired | -                                                                                | ( 90)                                                                            |
| Shares ungranted ending balance       | <u>1,450</u>                                                                     | <u>1,627</u>                                                                     |

D. The weighted average exercise price was \$27.64 of treasury stock transferred to employees for the nine-month period ended September 30, 2018.

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

|                | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|----------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Equity-settled | <u>\$ 3,677</u>                                           | <u>\$ 3,726</u>                                           |
|                | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Equity-settled | <u>\$ 5,392</u>                                           | <u>\$ 14,799</u>                                          |

(17) Provisions

|                            | <u>Warranty</u>   |
|----------------------------|-------------------|
| At January 1, 2019         | \$ 148,493        |
| Additional provisions      | 21,978            |
| Reversed during the period | ( 11,519)         |
| Exchange differences       | ( 465)            |
| At September 30, 2019      | <u>\$ 158,487</u> |

|             | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|-------------|---------------------------|--------------------------|---------------------------|
| Current     | <u>\$ 27,169</u>          | <u>\$ 35,378</u>         | <u>\$ 36,107</u>          |
| Non-current | <u>\$ 131,318</u>         | <u>\$ 113,115</u>        | <u>\$ 107,907</u>         |

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.

(18) Share capital

As of September 30, 2019, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,754,613 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)

|                                                                                 | <u>2019</u>    | <u>2018</u>    |
|---------------------------------------------------------------------------------|----------------|----------------|
| At January 1                                                                    | 274,011        | 270,386        |
| Employee stock options exercised                                                | -              | 320            |
| Treasury stock sold to employees                                                | -              | 3,433          |
| Issuance of restricted stock                                                    | 1,450          | -              |
| Retired restricted shares to employees that did not meet the vesting conditions | -              | ( 90)          |
| At September 30                                                                 | <u>275,461</u> | <u>274,049</u> |

(19) 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<br>premium    | Employee<br>stock<br>options | Difference<br>between<br>consideration and<br>carrying amount<br>of subsidiaries<br>acquired or<br>disposed | Changes in<br>ownership<br>interests in<br>subsidiaries | Proceeds<br>from sales<br>of treasury<br>shares | Restricted<br>shares to<br>employees | Total               |
|----------------------------------------|---------------------|------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|--------------------------------------|---------------------|
| At January 1, 2019                     | \$ 1,802,659        | \$ 49,102                    | \$ 1,534                                                                                                    | \$ 395,774                                              | \$ 1,455                                        | \$ 11,873                            | \$ 2,262,397        |
| Issuance of restricted stock           | -                   | -                            | -                                                                                                           | -                                                       | -                                               | 19,430                               | 19,430              |
| Employee restricted share<br>exercised | 11,873              | -                            | -                                                                                                           | -                                                       | -                                               | ( 11,873)                            | -                   |
| At September 30, 2019                  | <u>\$ 1,814,532</u> | <u>\$ 49,102</u>             | <u>\$ 1,534</u>                                                                                             | <u>\$ 395,774</u>                                       | <u>\$ 1,455</u>                                 | <u>\$ 19,430</u>                     | <u>\$ 2,281,827</u> |

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

(20) 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 2018 and 2019 earnings had been resolved at the stockholders' meeting on June 13, 2019, and June 15, 2018, respectively. Details are summarized below:

|                 | 2018              |                                        | 2017              |                                        |
|-----------------|-------------------|----------------------------------------|-------------------|----------------------------------------|
|                 | Amount            | Dividends per share<br>(in NT dollars) | Amount            | Dividends per share<br>(in NT dollars) |
| Legal reserve   | \$ 13,057         |                                        | \$ 1,340          |                                        |
| Special reserve | 10,099            |                                        | 283,124           |                                        |
| Cash dividends  | 137,005           | \$ 0.5                                 | 135,178           | \$ 0.5                                 |
|                 | <u>\$ 160,161</u> |                                        | <u>\$ 419,642</u> |                                        |

The appropriation of 2018 and 2017 earnings were the same as that approved by the Board of Directors on March 15, 2019 and March 23, 2018, respectively.

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(27).

(21) Other equity items

|                                   | Foreign currency<br>translation<br>adjustment | Unrealized<br>losses on<br>valuation | Unearned<br>compensation | Total               |
|-----------------------------------|-----------------------------------------------|--------------------------------------|--------------------------|---------------------|
| At January 1, 2019                | (\$ 256,833)                                  | (\$ 36,390)                          | (\$ 1,715)               | (\$ 294,938)        |
| Valuation adjustment              | -                                             | ( 54,268)                            | -                        | ( 54,268)           |
| Currency translation differences: |                                               |                                      |                          |                     |
| -Group                            | ( 54,038)                                     | -                                    | -                        | ( 54,038)           |
| Issuance of restricted stock      | -                                             | -                                    | ( 33,930)                | ( 33,930)           |
| Share-based payment transactions  | -                                             | -                                    | 5,392                    | 5,392               |
| At September 30, 2019             | <u>(\$ 310,871)</u>                           | <u>(\$ 90,658)</u>                   | <u>(\$ 30,253)</u>       | <u>(\$ 431,782)</u> |

  

|                                                 | Foreign currency<br>translation<br>adjustment | Unrealized<br>losses on<br>valuation | Unearned<br>compensation | Total               |
|-------------------------------------------------|-----------------------------------------------|--------------------------------------|--------------------------|---------------------|
| At January 1, 2018                              | (\$ 283,124)                                  | \$ -                                 | (\$ 19,215)              | (\$ 302,339)        |
| Effects of retrospective<br>application         | -                                             | ( 23,600)                            | -                        | ( 23,600)           |
| After adjustment                                | <u>(\$ 283,124)</u>                           | <u>(\$ 23,600)</u>                   | <u>(\$ 19,215)</u>       | <u>(\$ 325,939)</u> |
| Valuation adjustment                            | -                                             | ( 14,155)                            | -                        | ( 14,155)           |
| Currency translation differences:               |                                               |                                      |                          |                     |
| -Group                                          | ( 30,034)                                     | -                                    | -                        | ( 30,034)           |
| Retirement of restricted shares<br>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> |

(22) Operating revenue

|                                       | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|---------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Revenue from contracts with customers | <u>\$ 1,575,695</u>                                       | <u>\$ 3,086,368</u>                                       |

  

|                                       | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|---------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Revenue from contracts with customers | <u>\$ 4,796,484</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 geographical regions:

|                                                           |                     |                     |                   |                  |                     |
|-----------------------------------------------------------|---------------------|---------------------|-------------------|------------------|---------------------|
| For the three-month<br>period ended<br>September 30, 2019 | Asia                | Europe              | America           | Taiwan           | Total               |
| Revenue from<br>external customer<br>contracts            | <u>\$ 870,644</u>   | <u>\$ 270,336</u>   | <u>\$ 430,784</u> | <u>\$ 3,931</u>  | <u>\$ 1,575,695</u> |
| Timing of revenue<br>recognition                          |                     |                     |                   |                  |                     |
| At a point in time                                        | \$ 847,416          | \$ 270,336          | \$ 430,784        | \$ 3,931         | \$ 1,552,467        |
| Over time                                                 | 23,228              | -                   | -                 | -                | 23,228              |
| Total                                                     | <u>\$ 870,644</u>   | <u>\$ 270,336</u>   | <u>\$ 430,784</u> | <u>\$ 3,931</u>  | <u>\$ 1,575,695</u> |
| For the three-month<br>period ended<br>September 30, 2018 | Asia                | Europe              | America           | Taiwan           | Total               |
| Revenue from<br>external customer<br>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<br>recognition                          |                     |                     |                   |                  |                     |
| At a point in time                                        | <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<br>period ended<br>September 30, 2019  | Asia                | Europe              | America           | Taiwan           | Total               |
| Revenue from<br>external customer<br>contracts            | <u>\$ 2,743,064</u> | <u>\$ 1,024,612</u> | <u>\$ 984,215</u> | <u>\$ 44,593</u> | <u>\$ 4,796,484</u> |
| Timing of revenue<br>recognition                          |                     |                     |                   |                  |                     |
| At a point in time                                        | \$ 2,672,950        | \$ 1,024,612        | \$ 984,215        | \$ 44,593        | \$ 4,726,370        |
| Over time                                                 | 70,114              | -                   | -                 | -                | 70,114              |
| Total                                                     | <u>\$ 2,743,064</u> | <u>\$ 1,024,612</u> | <u>\$ 984,215</u> | <u>\$ 44,593</u> | <u>\$ 4,796,484</u> |

| For the nine-month<br>period ended<br>September 30, 2018 | Asia                | Europe              | America           | Taiwan           | Total               |
|----------------------------------------------------------|---------------------|---------------------|-------------------|------------------|---------------------|
| Revenue from<br>external customer<br>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<br>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>        |
| Total                                                    | <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:

|                                        | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|----------------------------------------|---------------------------|--------------------------|---------------------------|
| Technical license contract             | \$ -                      | \$ -                     | \$ 857                    |
| Allowance for uncollectible<br>account | <u>-</u>                  | <u>-</u>                 | <u>( 857)</u>             |
| Total                                  | <u>\$ -</u>               | <u>\$ -</u>              | <u>\$ -</u>               |

(23) Other income

|                                                            | <u>For the three-month<br/>period ended<br/>September 30, 2019</u> | <u>For the three-month<br/>period ended<br/>September 30, 2018</u> |
|------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Interest income:                                           |                                                                    |                                                                    |
| Interest income from bank deposits                         | \$ 32,236                                                          | \$ 32,613                                                          |
| Interest income from financial assets at amortised<br>cost | 5,038                                                              | -                                                                  |
| Others                                                     | <u>5</u>                                                           | <u>9</u>                                                           |
| Interest income subtotal                                   | 37,279                                                             | 32,622                                                             |
| Rental revenue                                             | 10,708                                                             | 6,688                                                              |
| Dividend income                                            | 763                                                                | 915                                                                |
| Other income - others                                      | <u>7,428</u>                                                       | <u>3,610</u>                                                       |
| Total                                                      | <u>\$ 56,178</u>                                                   | <u>\$ 43,835</u>                                                   |

|                                                         | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|---------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Interest income:                                        |                                                          |                                                          |
| Interest income from bank deposits                      | \$ 97,678                                                | \$ 89,479                                                |
| Interest income from financial assets at amortised cost | 13,053                                                   | -                                                        |
| Others                                                  | 20                                                       | 19                                                       |
| Interest income subtotal                                | 110,751                                                  | 89,498                                                   |
| Rental revenue                                          | 21,094                                                   | 26,679                                                   |
| Dividend income                                         | 763                                                      | 915                                                      |
| Other income - others                                   | 11,744                                                   | 17,505                                                   |
| Total                                                   | <u>\$ 144,352</u>                                        | <u>\$ 134,597</u>                                        |

(24) Other gains and losses

|                                                                              | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Gains on disposal of property, plant and equipment                           | \$ 62                                                     | \$ 5,159                                                  |
| Net currency exchange gains                                                  | 7,290                                                     | 26,502                                                    |
| Net gains on financial assets at fair value through profit                   | 2,032                                                     | 866                                                       |
| Other expenses                                                               | (746)                                                     | (99)                                                      |
| Total                                                                        | <u>\$ 8,638</u>                                           | <u>\$ 32,428</u>                                          |
|                                                                              | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Gains (losses) on disposal of property, plant and equipment                  | \$ 84                                                     | (\$ 1,370)                                                |
| Net currency exchange gains                                                  | 8,776                                                     | 5,589                                                     |
| Net gains on financial assets at fair value through profit                   | 8,150                                                     | 2,508                                                     |
| Reversal of impairment loss of investments accounted for under equity method | 651                                                       | -                                                         |
| Other expenses                                                               | (746)                                                     | (4,135)                                                   |
| Total                                                                        | <u>\$ 16,915</u>                                          | <u>\$ 2,592</u>                                           |

(25) Finance costs

|                  | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Interest expense | <u>\$ 6,569</u>                                           | <u>\$ 6,408</u>                                           |
|                  | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Interest expense | <u>\$ 19,679</u>                                          | <u>\$ 18,749</u>                                          |

(26) Expenses by nature

|                                                          | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Employee benefit expenses                                | \$ 271,302                                                | \$ 328,086                                                |
| Depreciation charges on property, plant and<br>equipment | 44,228                                                    | 52,269                                                    |
| Depreciation charges on investment property              | 1,704                                                     | 1,704                                                     |
| Depreciation charges on right-of-use assets              | 1,970                                                     | -                                                         |
| Amortisation charges on intangible assets                | <u>5,333</u>                                              | <u>6,634</u>                                              |
| Total                                                    | <u>\$ 324,537</u>                                         | <u>\$ 388,693</u>                                         |
|                                                          | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Employee benefit expenses                                | \$ 833,616                                                | \$ 984,760                                                |
| Depreciation charges on property, plant and<br>equipment | 139,231                                                   | 163,691                                                   |
| Depreciation charges on investment property              | 5,113                                                     | 5,113                                                     |
| Depreciation charges on right-of-use assets              | 6,175                                                     | -                                                         |
| Amortisation charges on intangible assets                | <u>17,220</u>                                             | <u>21,269</u>                                             |
| Total                                                    | <u>\$ 1,001,355</u>                                       | <u>\$ 1,174,833</u>                                       |

(27) Employee benefit expenses

|                                  | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|----------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Wages and salaries               | \$ 235,735                                                | \$ 286,991                                                |
| Employee stock options           | 3,677                                                     | 3,726                                                     |
| Labour and health insurance fees | 12,037                                                    | 13,591                                                    |
| Pension costs                    | 11,857                                                    | 13,707                                                    |
| Other personnel expenses         | 7,996                                                     | 10,071                                                    |
| Total                            | <u>\$ 271,302</u>                                         | <u>\$ 328,086</u>                                         |
|                                  | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Wages and salaries               | \$ 727,450                                                | \$ 853,590                                                |
| Employee stock options           | 5,392                                                     | 14,799                                                    |
| Labour and health insurance fees | 39,165                                                    | 41,911                                                    |
| Pension costs                    | 37,364                                                    | 42,556                                                    |
| Other personnel expenses         | 24,245                                                    | 31,904                                                    |
| Total                            | <u>\$ 833,616</u>                                         | <u>\$ 984,760</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.

- B. For the three-month and nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at \$7,821, \$18,001, \$17,036 and \$23,607, respectively; directors' and supervisors' remuneration was accrued at \$1,042, \$2,401, \$2,271 and \$3,148, respectively. The aforementioned amounts were recognized in salary expenses.

- C. Employees' compensation and directors' and supervisors' remuneration for 2018 amounting to \$29,710 and \$3,961, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2018 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.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

|                                                               | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|---------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Current tax:                                                  |                                                           |                                                           |
| Current tax on profits for the period                         | \$ 18,782                                                 | \$ 23,232                                                 |
| Tax paid outside of the territory of<br>the Republic of China | ( 615)                                                    | -                                                         |
| Adjustments in respect of prior years                         | ( 6,038)                                                  | 1                                                         |
| Total current tax                                             | <u>12,129</u>                                             | <u>23,233</u>                                             |
| Deferred tax:                                                 |                                                           |                                                           |
| Origination and reversal of<br>temporary differences          | <u>8,019</u>                                              | <u>16,539</u>                                             |
| Income tax expense                                            | <u>\$ 20,148</u>                                          | <u>\$ 39,772</u>                                          |
|                                                               | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Current tax:                                                  |                                                           |                                                           |
| Current tax on profits for the period                         | \$ 43,379                                                 | \$ 64,313                                                 |
| Tax paid outside of the territory of<br>the Republic of China | 1,019                                                     | -                                                         |
| Adjustments in respect of prior years                         | ( 16,993)                                                 | ( 16,783)                                                 |
| Total current tax                                             | <u>27,405</u>                                             | <u>47,530</u>                                             |
| Deferred tax:                                                 |                                                           |                                                           |
| Origination and reversal of<br>temporary differences          | 11,048                                                    | ( 41,715)                                                 |
| Impact of change in tax rate                                  | <u>-</u>                                                  | <u>62,901</u>                                             |
| Total deferred tax                                            | <u>11,048</u>                                             | <u>21,186</u>                                             |
| Income tax expense                                            | <u>\$ 38,453</u>                                          | <u>\$ 68,716</u>                                          |

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

|                                                                                                  | For the three-month<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Changes in fair value of financial assets at<br>fair value through other comprehensive<br>income | \$ 35                                                     | \$ 726                                                    |
| Translation differences of foreign operations                                                    | ( 31,517)                                                 | ( 37,309)                                                 |
|                                                                                                  | <u>(\$ 31,482)</u>                                        | <u>(\$ 36,583)</u>                                        |
|                                                                                                  | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Changes in fair value of financial assets at<br>fair value through other comprehensive<br>income | (\$ 197)                                                  | \$ 726                                                    |
| Translation differences of foreign operations                                                    | ( 13,510)                                                 | ( 20,300)                                                 |
| Impact of change in tax rate                                                                     | -                                                         | 119                                                       |
|                                                                                                  | <u>(\$ 13,707)</u>                                        | <u>(\$ 19,455)</u>                                        |

- B. As of September 30, 2019, the Company's income tax returns through 2017 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.

(29) Earnings per share

| For the three-month period ended September 30, 2019                                                                                      |                  |                                                                                   |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------|------------------------------------|
|                                                                                                                                          | Amount after tax | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                                          |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 38,260        | 274,011                                                                           | \$ 0.14                            |
| <u>Diluted earnings per share</u>                                                                                                        |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 38,260        |                                                                                   |                                    |
| Assumed conversion of all dilutive<br>potential ordinary shares                                                                          |                  |                                                                                   |                                    |
| Restricted shares to employees                                                                                                           |                  | 112                                                                               |                                    |
| Employees' bonus                                                                                                                         |                  | 693                                                                               |                                    |
| Profit attributable to ordinary<br>shareholders of the parent<br>plus assumed conversion of<br>all dilutive potential ordinary<br>shares | \$ 38,260        | 274,816                                                                           | \$ 0.14                            |
| For the three-month period ended September 30, 2018                                                                                      |                  |                                                                                   |                                    |
|                                                                                                                                          | Amount after tax | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                                          |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 80,015        | 272,195                                                                           | \$ 0.29                            |
| <u>Diluted earnings per share</u>                                                                                                        |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 80,015        |                                                                                   |                                    |
| Assumed conversion of all dilutive<br>potential ordinary shares                                                                          |                  |                                                                                   |                                    |
| Restricted shares to employees                                                                                                           |                  | 1,486                                                                             |                                    |
| Employee stock option certificates                                                                                                       |                  | 179                                                                               |                                    |
| Employees' bonus                                                                                                                         |                  | 866                                                                               |                                    |
| Profit attributable to ordinary<br>shareholders of the parent<br>plus assumed conversion of<br>all dilutive potential ordinary<br>shares | \$ 80,015        | 274,726                                                                           | \$ 0.29                            |

| For the nine-month period ended September 30, 2019                                                                                       |                  |                                                                                   |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------|------------------------------------|
|                                                                                                                                          | Amount after tax | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                                          |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 83,052        | 273,779                                                                           | \$ 0.30                            |
| <u>Diluted earnings per share</u>                                                                                                        |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 83,052        |                                                                                   |                                    |
| Assumed conversion of all dilutive<br>potential ordinary shares                                                                          |                  |                                                                                   |                                    |
| Restricted shares to employees                                                                                                           |                  | 48                                                                                |                                    |
| Employees' bonus                                                                                                                         |                  | 988                                                                               |                                    |
| Profit attributable to ordinary<br>shareholders of the parent<br>plus assumed conversion of<br>all dilutive potential ordinary<br>shares | \$ 83,052        | 274,815                                                                           | \$ 0.30                            |
| For the nine-month period ended September 30, 2018                                                                                       |                  |                                                                                   |                                    |
|                                                                                                                                          | Amount after tax | Weighted average number of<br>ordinary shares outstanding<br>(share in thousands) | Earnings per share<br>(in dollars) |
| <u>Basic earnings per share</u>                                                                                                          |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 109,062       | 269,634                                                                           | \$ 0.40                            |
| <u>Diluted earnings per share</u>                                                                                                        |                  |                                                                                   |                                    |
| Profit attributable to ordinary<br>shareholders of the parent                                                                            | \$ 109,062       |                                                                                   |                                    |
| Assumed conversion of all dilutive<br>potential ordinary shares                                                                          |                  |                                                                                   |                                    |
| Restricted shares to employees                                                                                                           |                  | 1,681                                                                             |                                    |
| Employee stock option certificates                                                                                                       |                  | 106                                                                               |                                    |
| Employees' bonus                                                                                                                         |                  | 899                                                                               |                                    |
| Profit attributable to ordinary<br>shareholders of the parent<br>plus assumed conversion of<br>all dilutive potential ordinary<br>shares | \$ 109,062       | 272,320                                                                           | \$ 0.40                            |

(30) Operating leases

Prior to 2019

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

|                                            | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--------------------------------------------|--------------------------|---------------------------|
| Not more than 1 year                       | \$ 28,921                | \$ 28,921                 |
| More than 1 year but not more than 5 years | 9,640                    | 16,870                    |
|                                            | <u>\$ 38,561</u>         | <u>\$ 45,791</u>          |

The Group leases land, office buildings and company cars 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:

|                                            | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--------------------------------------------|--------------------------|---------------------------|
| Not more than 1 year                       | \$ 8,333                 | \$ 3,772                  |
| More than 1 year but not more than 5 years | 20,810                   | 15,087                    |
| Over 5 years                               | 15,087                   | 16,030                    |
|                                            | <u>\$ 44,230</u>         | <u>\$ 34,889</u>          |

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

|                                                                                    | <u>For the nine-month<br/>period ended<br/>September 30, 2019</u> | <u>For the nine-month<br/>period ended<br/>September 30, 2018</u> |
|------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| Acquisitions of property, plant, and equipment                                     | \$ 12,833                                                         | \$ 17,620                                                         |
| Add: Property and equipment and construction billings payable at beginning of year | 1,229                                                             | 12,340                                                            |
| Less: Property and equipment and construction billings payable at end of year      | ( 1,551)                                                          | ( 1,999)                                                          |
| Cash paid                                                                          | <u>\$ 12,511</u>                                                  | <u>\$ 27,961</u>                                                  |

|                                   | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|-----------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Acquisitions of intangible assets | \$ 3,600                                                 | \$ 3,801                                                 |
| Add: Payable at beginning of year | 1,234                                                    | 4,763                                                    |
| Less: Payable at end of year      | ( 703)                                                   | ( 1,872)                                                 |
| Cash paid                         | <u>\$ 4,131</u>                                          | <u>\$ 6,692</u>                                          |

B. Financing activities with no cash flow effects

|                               | For the nine-month<br>period ended<br>September 30, 2019 | For the nine-month<br>period ended<br>September 30, 2018 |
|-------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Declaration of cash dividends | <u>\$ 137,005</u>                                        | <u>\$ -</u>                                              |

(32) Changes in liabilities from financing activities

|                                                   | Short-term<br>borrowings | Short-<br>term notes<br>and<br>bills | Long-term<br>borrowings | Guarantee<br>deposits<br>received | Lease<br>liabilities | Total               |
|---------------------------------------------------|--------------------------|--------------------------------------|-------------------------|-----------------------------------|----------------------|---------------------|
| At January 1, 2019                                | \$ 1,760,000             | \$ -                                 | \$ 600,000              | \$ 20,470                         | \$ 107,196           | \$ 2,487,666        |
| Changes in cash flow from<br>financing activities | 450,000                  | 179,580                              | ( 600,000)              | 2,241                             | ( 5,967)             | 25,854              |
| Impact of changes in foreign<br>exchange rate     | -                        | -                                    | -                       | ( 340)                            | ( 64)                | ( 404)              |
| Changes in other non-cash items                   | -                        | 302                                  | -                       | -                                 | 1,272                | 1,574               |
| At September 30, 2019                             | <u>\$ 2,210,000</u>      | <u>\$ 179,882</u>                    | <u>\$ -</u>             | <u>\$ 22,371</u>                  | <u>\$ 102,437</u>    | <u>\$ 2,514,690</u> |

|                                                   | Short-term<br>notes and<br>bills payable | Long-term<br>borrowings | Guarantee<br>deposits<br>received | Total               |
|---------------------------------------------------|------------------------------------------|-------------------------|-----------------------------------|---------------------|
| At January 1, 2018                                | \$ 2,021,000                             | \$ 199,797              | \$ -                              | \$ 2,244,720        |
| Changes in cash flow from<br>financing activities | ( 376,000)                               | ( 1,244)                | 600,000                           | ( 3,233)            |
| Impact of changes in foreign<br>exchange rate     | -                                        | -                       | -                                 | ( 339)              |
| Changes in other non-cash items                   | -                                        | 1,261                   | -                                 | -                   |
| At September 30, 2018                             | <u>\$ 1,645,000</u>                      | <u>\$ 199,814</u>       | <u>\$ 600,000</u>                 | <u>\$ 2,464,148</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<br>period ended<br>September 30, 2019 | For the three-month<br>period ended<br>September 30, 2018 |
|-------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Salaries and other short-term employee benefits | \$ 10,256                                                 | \$ 5,873                                                  |
| Post-employment benefits                        | 212                                                       | 155                                                       |
| Share-based payments                            | 963                                                       | 929                                                       |
| Total                                           | <u>\$ 11,431</u>                                          | <u>\$ 6,957</u>                                           |
|                                                 | For the nine-month<br>period ended<br>September 30, 2019  | For the nine-month<br>period ended<br>September 30, 2018  |
| Salaries and other short-term employee benefits | \$ 30,691                                                 | \$ 23,689                                                 |
| Post-employment benefits                        | 594                                                       | 467                                                       |
| Share-based payments                            | 1,847                                                     | 4,605                                                     |
| Total                                           | <u>\$ 33,132</u>                                          | <u>\$ 28,761</u>                                          |

8. PLEDGED ASSETS

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

| Pledged asset                  | Purpose              | Book value          |                     |                     |
|--------------------------------|----------------------|---------------------|---------------------|---------------------|
|                                |                      | September 30, 2019  | December 31, 2018   | September 30, 2018  |
| Land, buildings and structures | Long-term borrowings | \$ 748,405          | \$ 746,621          | \$ 749,359          |
| Investment acquisition         | Long-term borrowings | 765,438             | 770,551             | 772,255             |
|                                |                      | <u>\$ 1,513,843</u> | <u>\$ 1,517,172</u> | <u>\$ 1,521,614</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 4, 2019, the case is still under trial.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

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, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|----------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Financial assets</u>                                                    |                           |                          |                           |
| Financial assets measured at fair value through profit or loss             |                           |                          |                           |
| Financial assets mandatorily measured at fair value through profit or loss | <u>\$ 31,596</u>          | <u>\$ 23,683</u>         | <u>\$ 781,618</u>         |
| Financial assets at fair value through other comprehensive income          |                           |                          |                           |
| Designation of equity instrument                                           | <u>59,071</u>             | <u>114,508</u>           | <u>112,668</u>            |
| Financial assets at amortised cost                                         |                           |                          |                           |
| Loans and receivables                                                      |                           |                          |                           |
| Cash and cash equivalents                                                  | 6,930,860                 | 6,495,017                | 5,809,297                 |
| Current financial assets at amortised cost                                 | 753,005                   | 261,288                  | -                         |
| Notes receivable                                                           | 61,239                    | 1,387,222                | 1,733,389                 |
| Accounts receivable                                                        | 1,117,794                 | 2,414,775                | 3,089,810                 |
| Other accounts receivable                                                  | 40,354                    | 31,712                   | 38,263                    |
| Guarantee deposit paid                                                     | <u>39,224</u>             | <u>38,525</u>            | <u>38,399</u>             |
|                                                                            | <u>\$ 8,942,476</u>       | <u>\$ 10,628,539</u>     | <u>\$ 10,709,158</u>      |

|                                                  | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--------------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Financial liabilities</u>                     |                           |                          |                           |
| Financial liabilities at amortised cost          |                           |                          |                           |
| Short-term borrowings                            | \$ 2,210,000              | \$ 1,760,000             | \$ 1,645,000              |
| Short-term notes and bills payable               | 179,882                   | -                        | 199,814                   |
| Notes payable                                    | -                         | 1,049,446                | 1,204,945                 |
| Accounts payable                                 | 1,039,103                 | 1,878,509                | 2,707,842                 |
| Other accounts payable                           | 511,117                   | 415,658                  | 393,402                   |
| Long-term borrowings (including current portion) | -                         | 600,000                  | 600,000                   |
| Guarantee deposits received                      | 22,371                    | 20,470                   | 20,351                    |
|                                                  | <u>\$ 3,962,473</u>       | <u>\$ 5,724,083</u>      | <u>\$ 6,771,354</u>       |
| Lease liabilities                                | <u>\$ 102,437</u>         | <u>\$ -</u>              | <u>\$ -</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, 2019                      |     |        |                      |              |            |             |           |               |
|-----------------------------------------|-----|--------|----------------------|--------------|------------|-------------|-----------|---------------|
|                                         |     |        | Sensitivity Analysis |              |            |             |           |               |
|                                         |     |        | Foreign Currency     |              |            | Effect on   |           |               |
|                                         |     |        | Amount               | Exchange     | Book Value | Extent of   | Profit or | Effect on     |
|                                         |     |        | (In thousands)       | Rate         | (NTD)      | Variation   | (Loss)    | Other         |
|                                         |     |        |                      |              |            |             |           | Comprehensive |
|                                         |     |        |                      |              |            |             |           | Income (Loss) |
| (Foreign currency: functional currency) |     |        |                      |              |            |             |           |               |
| <u>Financial assets</u>                 |     |        |                      |              |            |             |           |               |
| <u>Monetary items</u>                   |     |        |                      |              |            |             |           |               |
| USD:NTD                                 | USD | 81,251 | 31.040               | \$ 2,522,031 | 1%         | \$ 25,220   | \$        | -             |
| USD:RMB                                 | USD | 57,214 | 7.0729               | 1,775,923    | 1%         | 17,759      |           | -             |
| <u>Financial liabilities</u>            |     |        |                      |              |            |             |           |               |
| <u>Monetary items</u>                   |     |        |                      |              |            |             |           |               |
| USD:NTD                                 | USD | 77,353 | 31.040               | \$ 2,401,037 | 1%         | (\$ 24,010) | \$        | -             |
| USD:RMB                                 | USD | 27,046 | 7.0729               | 839,508      | 1%         | ( 8,395)    |           | -             |

| December 31, 2018                          |     |             |              |                  |                      |                      |                      |           |
|--------------------------------------------|-----|-------------|--------------|------------------|----------------------|----------------------|----------------------|-----------|
|                                            |     |             |              |                  | Sensitivity Analysis |                      |                      |           |
| Foreign Currency                           |     |             |              |                  | Effect on            |                      |                      | Effect on |
| Amount                                     |     | Exchange    | Book Value   | Extent of        | Profit or            | Other                |                      |           |
| <u>(In thousands)</u>                      |     | <u>Rate</u> | <u>(NTD)</u> | <u>Variation</u> | <u>(Loss)</u>        | <u>Comprehensive</u> | <u>Income (Loss)</u> |           |
| (Foreign currency:<br>functional currency) |     |             |              |                  |                      |                      |                      |           |
| <u>Financial assets</u>                    |     |             |              |                  |                      |                      |                      |           |
| <u>Monetary items</u>                      |     |             |              |                  |                      |                      |                      |           |
| USD:NTD                                    | USD | 62,373      | 30.715       | \$ 1,915,787     | 1%                   | \$ 19,158            | \$                   | -         |
| USD:RMB                                    | USD | 41,445      | 6.8632       | 1,272,983        | 1%                   | 12,730               |                      | -         |
| <u>Non-monetary items</u>                  |     |             |              |                  |                      |                      |                      |           |
| USD:NTD                                    | USD | 872         | 30.715       | \$ 26,768        | 1%                   | \$ -                 | \$                   | 268       |
| <u>Financial liabilities</u>               |     |             |              |                  |                      |                      |                      |           |
| <u>Monetary items</u>                      |     |             |              |                  |                      |                      |                      |           |
| USD:NTD                                    | USD | 61,532      | 30.715       | \$ 1,889,955     | 1%                   | (\$ 18,900)          | \$                   | -         |
| USD:RMB                                    | USD | 32,014      | 6.8632       | 983,310          | 1%                   | ( 9,833)             |                      | -         |
| September 30, 2018                         |     |             |              |                  |                      |                      |                      |           |
|                                            |     |             |              |                  | Sensitivity Analysis |                      |                      |           |
| Foreign Currency                           |     |             |              |                  | Effect on            |                      |                      | Effect on |
| Amount                                     |     | Exchange    | Book Value   | Extent of        | Profit or            | Other                |                      |           |
| <u>(In thousands)</u>                      |     | <u>Rate</u> | <u>(NTD)</u> | <u>Variation</u> | <u>(Loss)</u>        | <u>Comprehensive</u> | <u>Income (Loss)</u> |           |
| (Foreign currency:<br>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)            |                      | -         |

- v. Total exchange gain , 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, 2019 and 2018 amounted to \$7,290, \$26,502, \$8,776 and \$5,589, respectively.

### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended September 30, 2019 and 2018 would have increased/decreased by \$3,160 and \$78,162, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$5,907 and \$11,267, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

### 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, 2019 and 2018, and thus had no significant cash flow interest rate risk.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. 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 the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. 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.

- v. 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.
- 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 Group used the forecastability to adjust historical and timely information to access the default possibility of accounts receivable, contract assets and notes receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix is as follows:

|                              | Up to 90 days<br>past due | 91~180 days<br>past due | 181 to 360 days<br>past due | Up to 361 days | Total        |
|------------------------------|---------------------------|-------------------------|-----------------------------|----------------|--------------|
| <u>At September 30, 2019</u> |                           |                         |                             |                |              |
| Expected loss rate           | 0%                        | 20%                     | 50%                         | 100%           |              |
| Total book value             | \$ 1,137,331              | \$ 39,147               | \$ 4,798                    | \$ 4,801       | \$ 1,186,077 |
| Loss allowance               | \$ -                      | \$ -                    | \$ 2,243                    | \$ 4,801       | \$ 7,044     |

|                             | Up to 90 days<br>past due | 91~180 days<br>past due | 181 to 360 days<br>past due | Up to 361 days | Total        |
|-----------------------------|---------------------------|-------------------------|-----------------------------|----------------|--------------|
| <u>At December 31, 2018</u> |                           |                         |                             |                |              |
| Expected loss rate          | 0%                        | 20%                     | 50%                         | 100%           |              |
| Total book value            | \$ 3,775,678              | \$ 29,761               | \$ 6,222                    | \$ 6,215       | \$ 3,817,876 |
| Loss allowance              | \$ -                      | \$ 4,375                | \$ 5,289                    | \$ 6,215       | \$ 15,879    |

|                              | Up to 90 days<br>past due | 91~180 days<br>past due | 181 to 360 days<br>past due | Up to 361 days | Total        |
|------------------------------|---------------------------|-------------------------|-----------------------------|----------------|--------------|
| <u>At September 30, 2018</u> |                           |                         |                             |                |              |
| Expected loss rate           | 0%                        | 20%                     | 50%                         | 100%           |              |
| Total book value             | \$ 4,742,587              | \$ 25                   | \$ 84,960                   | \$ 6,177       | \$ 4,833,749 |
| Loss allowance               | \$ 857                    | \$ -                    | \$ 3,516                    | \$ 6,177       | \$ 10,550    |

viii. 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:

| 2019                        |                     |                 |                  |
|-----------------------------|---------------------|-----------------|------------------|
|                             | Accounts receivable | Contract assets | Notes receivable |
| At January 1                | \$ 15,879           | \$ -            | \$ -             |
| Reversal of impairment loss | ( 8,058)            | -               | -                |
| Write-offs                  | ( 835)              | -               | -                |
| Effect of foreign exchange  | 58                  | -               | -                |
| At September 30             | <u>\$ 7,044</u>     | <u>\$ -</u>     | <u>\$ -</u>      |

  

| 2018                                               |                     |                 |                  |
|----------------------------------------------------|---------------------|-----------------|------------------|
|                                                    | Accounts receivable | Contract assets | Notes receivable |
| At January 1                                       | \$ 8,747            | \$ -            | \$ -             |
| Adjustment for retrospective application of IFRS 9 | -                   | -               | -                |
| Provision for impairment                           | 955                 | 857             | -                |
| Write-offs                                         | ( 33)               | -               | -                |
| Effect of foreign exchange                         | 24                  | -               | -                |
| At September 30                                    | <u>\$ 9,693</u>     | <u>\$ 857</u>   | <u>\$ -</u>      |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, and compliance with internal balance sheet ratio targets.
- ii. 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.

iii. The Group has following undrawn borrowing facilities:

|                          | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Fixed rate:              |                           |                          |                           |
| Expiring within one year | \$ 3,272,220              | \$ 3,425,060             | \$ 2,428,160              |
| Expiring beyond one year | <u>1,200,000</u>          | <u>600,000</u>           | <u>600,000</u>            |
|                          | <u>\$ 4,472,220</u>       | <u>\$ 4,025,060</u>      | <u>\$ 3,028,160</u>       |

iv. 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:

| <u>September 30, 2019</u>          | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|------------------------------------|-------------------------|--------------------|
| Short-term borrowings              | \$ 2,210,000            | \$ -               |
| Short-term notes and bills payable | 179,882                 | -                  |
| Accounts payable                   | 1,039,103               | -                  |
| Other payables                     | 511,117                 | -                  |
| Lease liabilities                  | 7,613                   | 113,848            |
| Guarantee deposits received        | -                       | 22,371             |

Non-derivative financial liabilities:

| <u>December 31, 2018</u>                            | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|-----------------------------------------------------|-------------------------|--------------------|
| Short-term borrowings                               | \$ 1,760,000            | \$ -               |
| Notes payable                                       | 1,049,446               | -                  |
| Accounts payable                                    | 1,878,509               | -                  |
| Other payables                                      | 415,658                 | -                  |
| Long-term borrowings<br>(including current portion) | -                       | 600,000            |
| Guarantee deposits received                         | -                       | 20,470             |

Non-derivative financial liabilities:

| <u>September 30, 2018</u>                           | <u>Less than 1 year</u> | <u>Over 1 year</u> |
|-----------------------------------------------------|-------------------------|--------------------|
| 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<br>(including current portion) | -                       | 600,000            |
| Guarantee deposits received                         | -                       | 20,351             |

(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(10).

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:

(a) The related information of natures of the assets is as follows :

| <u>September 30, 2019</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             |                |                 |                  |                  |
| Unlisted stocks                                                   | \$ -           | \$ -            | \$ 31,596        | \$ 31,596        |
| Financial assets at fair value through other comprehensive income |                |                 |                  |                  |
| Unlisted stocks                                                   | -              | 7,036           | 52,035           | 59,071           |
|                                                                   | <u>\$ -</u>    | <u>\$ 7,036</u> | <u>\$ 83,631</u> | <u>\$ 90,667</u> |

| <u>December 31, 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             |                   |                  |                  |                   |
| Unlisted stocks                                                   | \$ -              | \$ -             | \$ 23,683        | \$ 23,683         |
| Financial assets at fair value through other comprehensive income |                   |                  |                  |                   |
| Unlisted stocks                                                   | -                 | 60,515           | 53,993           | 114,508           |
|                                                                   | <u>\$ -</u>       | <u>\$ 60,515</u> | <u>\$ 77,676</u> | <u>\$ 138,191</u> |
| <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> |

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i 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      |

- ii 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.

D. For the year ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the year ended September 30, 2019 and 2018:

|                                                         | Equity instrument |                  |
|---------------------------------------------------------|-------------------|------------------|
|                                                         | 2019              | 2018             |
| At January 1                                            | \$ 77,676         | \$ 61,611        |
| Gains recognised in profit or loss                      | 8,150             | -                |
| (Losses) gains recognised in other comprehensive income | ( 986)            | 3,631            |
| Sold in the period                                      | ( 237)            | -                |
| Effect of exchange rate changes                         | ( 972)            | ( 1,313)         |
| At September 30                                         | <u>\$ 83,631</u>  | <u>\$ 63,929</u> |

F. For the year ended September 30, 2019 and 2018, there was no transfer into or out from Level 3.

G. 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.

H. 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:

|                                                                      | <u>Fair value at<br/>September 30,<br/>2019</u> | <u>Valuation<br/>technique</u> | <u>Significant<br/>unobservable input</u> | <u>Relationship of<br/>inputs to fair value</u> |
|----------------------------------------------------------------------|-------------------------------------------------|--------------------------------|-------------------------------------------|-------------------------------------------------|
| Financial assets at<br>fair value through<br>profit or loss          |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | \$ 31,596                                       | Net asset value                | Not applicable                            | Not applicable                                  |
| Financial assets at<br>fair value through<br>comprehensive<br>income |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | 52,035                                          | Net asset value                | Not applicable                            | Not applicable                                  |
|                                                                      | <u>Fair value at<br/>December 31,<br/>2018</u>  | <u>Valuation<br/>technique</u> | <u>Significant<br/>unobservable input</u> | <u>Relationship of<br/>inputs to fair value</u> |
| Financial assets at<br>fair value through<br>profit or loss          |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | \$ 23,683                                       | Net asset value                | Not applicable                            | Not applicable                                  |
| Financial assets at<br>fair value through<br>comprehensive<br>income |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | 53,993                                          | Net asset value                | Not applicable                            | Not applicable                                  |
|                                                                      | <u>Fair value at<br/>September 30,<br/>2018</u> | <u>Valuation<br/>technique</u> | <u>Significant<br/>unobservable input</u> | <u>Relationship of<br/>inputs to fair value</u> |
| Financial assets at<br>fair value through<br>profit or loss          |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | \$ 10,601                                       | Net asset value                | Not applicable                            | Not applicable                                  |
| Financial assets at<br>fair value through<br>comprehensive<br>income |                                                 |                                |                                           |                                                 |
| Unlisted shares                                                      | 53,328                                          | Net asset value                | Not applicable                            | Not applicable                                  |

### 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 Chief Operating Decision-Maker assesses the performance of the operating segments based on the revenues and operating profit. The accounting policy of operating segments is the same as that described in Note 4.

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

None.

(4) Reconciliation for segment income (loss)

The segment assets, liabilities and operating profit reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the balance sheet and statement of comprehensive income, thus, no reconciliation is needed.

Altek Corporation and subsidiaries

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

September 30, 2019

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, 2019 |            |               |            |
|---------------------------|-----------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------|--------------------------|------------|---------------|------------|
|                           |                                                                             |                                         |                                                                                          | 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                  | \$ 31,596  | 14.55%        | \$ 31,596  |
| "                         | Hua-chuang Automobile Information Technical Center Co., Ltd. - Common stock | None                                    | Financial assets measured at fair value through other comprehensive income - non-current | 5,660,000                | 7,036      | 1.72%         | 7,036      |
| Altek (Kunshan) Co., Ltd. | Guangdong Kingding Optical Technology Co., Ltd.                             | None                                    | "                                                                                        | 1,200,000                | 6,730      | 6.45%         | 6,730      |
| "                         | CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)    | None                                    | "                                                                                        | N/A                      | 45,305     | (Note)        | 45,305     |

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, 2019

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

| Purchaser/seller                         | Counterparty                             | Relationship with the counterparty | Transaction       |              |                                       |              | Differences in transaction terms compared to third party transactions |             | Notes/accounts receivable (payable) |                                                         |  |
|------------------------------------------|------------------------------------------|------------------------------------|-------------------|--------------|---------------------------------------|--------------|-----------------------------------------------------------------------|-------------|-------------------------------------|---------------------------------------------------------|--|
|                                          |                                          |                                    | Purchases (sales) | Amount       | Percentage of total purchases (sales) | Credit term  | Unit price                                                            | Credit term | Balance                             | Percentage of total notes/accounts receivable (payable) |  |
| Altek Corporation                        | Altek International Investment Co., Ltd. | Parent and affiliated company      | Purchases         | \$ 1,558,856 | 58%                                   | Net 120 days | Approximately the same price with third parties                       | Note        | (\$ 1,599,000)                      | 75%                                                     |  |
| "                                        | Altek International Trading Co., Ltd.    | "                                  | Purchases         | 990,722      | 37%                                   | "            | "                                                                     | "           | ( 510,441)                          | 24%                                                     |  |
| Altek International Investment Co., Ltd. | Altek (Kunshan) Co., Ltd.                | "                                  | Purchases         | 2,287,308    | 100%                                  | Net 75 days  | "                                                                     | "           | ( 59,932)                           | 100%                                                    |  |
| Altek International Trading Co., Ltd.    | "                                        | The same ultimate parent company   | Purchases         | 1,326,231    | 100%                                  | "            | "                                                                     | "           | ( 849,136)                          | 99%                                                     |  |
| Altek Biotechnology Corporation          | Altek International Investment Co., Ltd. | "                                  | Purchases         | 683,038      | 71%                                   | "            | "                                                                     | "           | ( 25,369)                           | 9%                                                      |  |
| "                                        | Altek International Trading Co., Ltd.    | "                                  | Purchases         | 270,263      | 28%                                   | "            | "                                                                     | "           | ( 245,135)                          | 90%                                                     |  |
| Altek Semiconductor (Shanghai) CO., Ltd. | Altek (Kunshan) Co., Ltd.                | "                                  | Purchases         | 135,912      | 100%                                  | "            | "                                                                     | "           | ( 153,840)                          | 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, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Creditor                                    | Counterparty                                | Relationship<br>with the counterparty | Balance as at September 30, 2019 | Turnover rate | Overdue receivables |              | Amount collected<br>subsequent to the<br>balance sheet date | Allowance for<br>doubtful accounts |
|---------------------------------------------|---------------------------------------------|---------------------------------------|----------------------------------|---------------|---------------------|--------------|-------------------------------------------------------------|------------------------------------|
|                                             |                                             |                                       |                                  |               | Amount              | Action taken |                                                             |                                    |
| Altek International<br>Investment Co., Ltd. | Altek Corporation                           | Parent company                        | \$ 1,599,000                     | 1.32          | \$ -                | N/A          | \$ 62,078                                                   | \$ -                               |
| Altek International<br>Trading Co., Ltd.    | "                                           | Parent company                        | 510,441                          | 8.52          | -                   | N/A          | 264,018                                                     | -                                  |
| "                                           | Altek Biotechnology<br>Corporation          | The same ultimate<br>parent company   | 245,135                          | 6.38          | -                   | N/A          | 61,742                                                      | -                                  |
| Altek (Kunshan) Co., Ltd.                   | Altek International<br>Trading Co., Ltd.    | The same ultimate<br>parent company   | 849,136                          | 6.94          | -                   | N/A          | 319,226                                                     | -                                  |
| "                                           | Altek Semiconductor<br>(Shanghai) Co., Ltd. | The same ultimate<br>parent company   | 153,840                          | 0.60          | -                   | N/A          | 106,049                                                     | -                                  |

Table 3

Altek Corporation and subsidiaries  
Significant inter-company transactions during the reporting periods  
For the nine-month period ended September 30, 2019

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

|                                          |                                          |                          | Transaction            |              |                   |                                                                                 |
|------------------------------------------|------------------------------------------|--------------------------|------------------------|--------------|-------------------|---------------------------------------------------------------------------------|
| Company name                             | Counterparty                             | Relationship<br>(Note 1) | General ledger account | Amount       | Transaction terms | Percentage of consolidated total operating<br>revenues or total assets (Note 2) |
| Altek Corporation                        | Altek International Investment Co., Ltd. | (1)                      | Purchases              | \$ 1,558,856 | Net 120 days      | 32%                                                                             |
| "                                        | "                                        | (1)                      | Accounts payable       | 1,599,000    | "                 | 11%                                                                             |
| "                                        | Altek International Trading Co., Ltd.    | (1)                      | Purchases              | 990,722      | "                 | 21%                                                                             |
| "                                        | "                                        | (1)                      | Accounts payable       | 510,441      | "                 | 4%                                                                              |
| Altek International Investment Co., Ltd. | Altek (Kunshan) Co., Ltd.                | (3)                      | Purchases              | 2,287,308    | Net 75 days       | 48%                                                                             |
| "                                        | "                                        | (3)                      | Accounts payable       | 59,932       | "                 | 0%                                                                              |
| Altek International Trading Co., Ltd.    | "                                        | (3)                      | Purchases              | 1,326,231    | "                 | 28%                                                                             |
| "                                        | "                                        | (3)                      | Accounts payable       | 849,136      | "                 | 6%                                                                              |
| Altek Semiconductor Corporation          | Altek International Investment Co., Ltd. | (3)                      | Sales                  | 19,023       | "                 | 0%                                                                              |
| "                                        | Altek International Trading Co., Ltd.    | (3)                      | Sales                  | 6,691        | "                 | 0%                                                                              |
| "                                        | "                                        | (3)                      | Accounts receivable    | 6,631        | "                 | 0%                                                                              |
| "                                        | "                                        | (3)                      | Purchases              | 6,000        | Net 120 days      | 0%                                                                              |
| "                                        | "                                        | (3)                      | Accounts payable       | 5,995        | "                 | 0%                                                                              |
| "                                        | Altek Semiconductor (Shanghai) Co., Ltd. | (3)                      | Royalty income         | 10,188       | Net 75 days       | 0%                                                                              |
| Altek Biotechnology Corporation          | Altek International Investment Co., Ltd. | (3)                      | Purchases              | 683,038      | "                 | 14%                                                                             |
| "                                        | "                                        | (3)                      | Accounts payable       | 25,369       | "                 | 0%                                                                              |
| "                                        | Altek International Trading Co., Ltd.    | (3)                      | Purchases              | 270,263      | "                 | 6%                                                                              |
| "                                        | "                                        | (3)                      | Accounts payable       | 245,135      | "                 | 2%                                                                              |
| Altek (Kunshan) Co., Ltd.                | Altek International Investment Co., Ltd. | (3)                      | Purchases              | 80,716       | "                 | 2%                                                                              |
| "                                        | Altek International Trading Co., Ltd.    | (3)                      | Purchases              | 71,421       | "                 | 1%                                                                              |
| Altek Trading (Shanghai) Limited         | Altek (Kunshan) Co., Ltd.                | (3)                      | Purchases              | 69,277       | "                 | 1%                                                                              |
| "                                        | "                                        | (3)                      | Accounts payable       | 9,696        | "                 | 0%                                                                              |
| Altek Semiconductor (Shanghai) Co., Ltd. | "                                        | (3)                      | Purchases              | 135,912      | "                 | 3%                                                                              |
| "                                        | "                                        | (3)                      | Notes/accounts payable | 153,840      | "                 | 1%                                                                              |

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, 2019

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, 2019 |               |              | Net profit (loss) of the investee for the nine-month period ended September 30, 2019 | Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2019 |
|------------------------------------------------|--------------------------------------------|------------------------|----------------------------------------------------------------------------------|----------------------------------|---------------------------------|--------------------------------------|---------------|--------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
|                                                |                                            |                        |                                                                                  | Balance as at September 30, 2019 | Balance as at December 31, 2018 | Number of shares                     | Ownership (%) | Book value   |                                                                                      |                                                                                                      |
| Altek Corporation                              | Altek International Investment Co., Ltd.   | British Virgin Islands | Investment                                                                       | \$ 2,882,512                     | \$ 2,910,046                    | 87,769,559                           | 100%          | \$ 8,840,126 | (\$ 17,986)                                                                          | (\$ 17,986)                                                                                          |
| "                                              | Altek Japan Corporation                    | Japan                  | Sale of optical optical instruments                                              | 2,869                            | 2,869                           | 1,000                                | 100%          | 11,916       | 18                                                                                   | 18                                                                                                   |
| "                                              | Altek Investment Co., Ltd.                 | Republic of China      | Investment                                                                       | -                                | 50,000                          | -                                    | -             | -            | ( 1)                                                                                 | ( 1)                                                                                                 |
| "                                              | Altek International Holding (BVI) Co, Ltd. | British Virgin Islands | Investment                                                                       | 415,376                          | 415,376                         | 12,865,921                           | 100%          | 731,843      | 143,241                                                                              | 143,241                                                                                              |
| Altek International Investment Co., Ltd.       | Altek Lab Inc.                             | U.S.A.                 | Design service                                                                   | 114,219                          | 114,219                         | 11,311,875                           | 100%          | 64,944       | 2,195                                                                                | 2,195                                                                                                |
| "                                              | JinJing Optical Technology Co., Ltd.       | Samoa                  | Investment and general business operations                                       | 80,937                           | 108,640                         | 2,607,500                            | 23.33%        | -            | 51                                                                                   | -                                                                                                    |
| "                                              | Altek Semiconductor (Cayman) Co., Ltd.     | Cayman Islands         | Investment                                                                       | 190,810                          | 190,810                         | 20,000,000                           | 50%           | 614,123      | ( 126,635)                                                                           | ( 63,318)                                                                                            |
| "                                              | Altek International Trading Co.,Ltd        | Republic of Seychelles | Investment and general business operations                                       | 93,120                           | -                               | 3,000,000                            | 100%          | 85,652       | ( 7,471)                                                                             | ( 7,471)                                                                                             |
| 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%          | 163,389      | ( 133,169)                                                                           | ( 133,169)                                                                                           |
| 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%          | 659,991      | 143,667                                                                              | 143,667                                                                                              |

Note : The dissolution and liquidation of Altek Investment Co., Ltd. was resolved by the Board of Directors on December 17, 2018. Moreover, the liquidation was completed as approved by the court on April 25, 2019.

Table 6

Altek Corporation and subsidiaries  
Information on investments in Mainland China  
For the nine-month period ended September 30, 2019

Expressed in thousands of NTD  
(Except as otherwise indicated)

| Investee in Mainland<br>China                         | Main business activities                                                                                         | Paid-in capital | Investment<br>method<br>( Note 1 ) | Accumulated amount<br>of remittance from<br>Taiwan to Mainland<br>China as of<br>January 1, 2019 | Amount remitted from Taiwan to<br>Mainland China/Amount<br>remitted back to Taiwan for<br>the nine-month period ended<br>September 30, 2019 |                         | Accumulated amount<br>of remittance from<br>Taiwan toMainland<br>China as of<br>September 30, 2019 | Net profit (loss) of investee for<br>the nine-month period<br>ended September 30, 2019 | Ownership held by<br>the Company<br>(direct or indirect) | Investment income<br>(loss) recognised<br>by the Company<br>for the nine-month period<br>ended September 30, 2019 | Book value of<br>investments in<br>Mainland China as of<br>September 30, 2019 | Accumulated amount<br>of investment income<br>remitted back to<br>Taiwan as of September 30,<br>2019 |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
|                                                       |                                                                                                                  |                 |                                    |                                                                                                  | Remitted to Mainland China                                                                                                                  | Remitted back to Taiwan |                                                                                                    |                                                                                        |                                                          |                                                                                                                   |                                                                               |                                                                                                      |
| Altek (Kunshan) Co.,<br>Ltd. (Note 2)                 | Manufacture and sale of digital<br>still cameras and its accessories                                             | \$ 1,539,584    | 2                                  | \$ 1,396,800                                                                                     | \$ -                                                                                                                                        | \$ -                    | \$ 1,396,800                                                                                       | \$ 34,304                                                                              | 100%                                                     | \$ 34,304                                                                                                         | \$ 3,982,239                                                                  | \$ -                                                                                                 |
| Altek EMS (Kunshan)<br>Co., Ltd. (Note 3)             | Manufacture and sale of related<br>engineering services                                                          | 155,200         | 2                                  | 281,936                                                                                          | -                                                                                                                                           | -                       | 281,936                                                                                            | 17,107                                                                                 | 100%                                                     | 17,107                                                                                                            | 771,025                                                                       | -                                                                                                    |
| Altek Trading<br>(Shanghai) Limited                   | Wholesale, import and export of<br>digital cameras, digital video<br>cameras and their<br>associated accessories | 263,840         | 2                                  | 263,840                                                                                          | -                                                                                                                                           | -                       | 263,840                                                                                            | 9,420                                                                                  | 100%                                                     | 9,420                                                                                                             | 301,253                                                                       | -                                                                                                    |
| Altek Precision<br>(Kunshan) Co., Ltd.                | Design, manufacture and sales of<br>digital camera parts                                                         | 428,352         | 2                                  | 428,352                                                                                          | -                                                                                                                                           | -                       | 428,352                                                                                            | 2,183                                                                                  | 100%                                                     | 2,183                                                                                                             | 149,457                                                                       | -                                                                                                    |
| Altek Optical<br>Technology<br>(Kunshan)<br>Co., Ltd. | Manufacture and sales of<br>digital camera and its<br>accessories and<br>optical components                      | 347,648         | 2                                  | 347,648                                                                                          | -                                                                                                                                           | -                       | 347,648                                                                                            | ( 1,624)                                                                               | 100%                                                     | ( 1,624)                                                                                                          | 6,224                                                                         | -                                                                                                    |
| Altek Semiconductor<br>(Shanghai) Co., Ltd.           | Research design and sales of<br>imaging technologies,<br>electronic software and<br>hardware                     | 46,560          | 2                                  | -                                                                                                | -                                                                                                                                           | -                       | -                                                                                                  | ( 8,333)                                                                               | 50%                                                      | ( 4,166)                                                                                                          | 113,679                                                                       | -                                                                                                    |

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).

| Company name      | Accumulated amount of remittance from Taiwan to<br>Mainland China as of September 30, 2019 | Investment amount approved by the Investment<br>Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed<br>by the Investment Commission of MOEA |
|-------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Altek Corporation | \$ 2,718,576                                                                               | \$ 3,001,413                                                                                          | \$ -                                                                                     |

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.