Silitech Technology Corporation

Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

Opinion

We have audited the accompanying financial statements of Silitech Technology Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year ended December 31, 2018, the key audit matters to the Company's financial statements were as follows:

<u>Allowance for Impairment Loss on Trade Receivables</u>

Due to high concentration of transactions among major clients, the management evaluated the allowance for bad debts from major clients. First, trade receivables were assessed for impairment individually, then, assessed the rest of receivables on a collective basis. As the provision for allowance for bad debts was based on the assumption of expected credit risk and involved significant judgments, when there is significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the allowance for bad debts as a key audit matter in our audit.

The audit procedures performed in respect of the management's assessment of trade receivable for impairment included the following:

1. Reviewed the historical trade receivable recovery records to analyze the allowance for bad debts. Based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable is reasonable. Furthermore, we referred to the payment records and other accessible customer information of the current year, and individually verified whether there is a significant amount of delayed payments to be recognized as impairment.

2. Evaluated the collectability of overdue trade receivables after the subsequent period in order to consider whether it can be recognized as extra allowance for bad debts.

3. Obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management, and tested the accuracy of the aging schedule in order to calculate the allowance for bad debts recognized by management.

For the policy of evaluating the impairment of trade receivables, refer to Note 4 to the financial statements. Refer to Notes 5 and 9 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Impairment Loss on Trade Receivables of Subsidiaries Accounted for Using the Equity Method

Due to high concentration of transactions among major clients, the management of subsidiaries evaluated the allowance for bad debts from major clients. First, trade receivables were assessed for impairment individually, then, assessed the rest of receivables on a collective basis. As the provision for allowance for bad debts was based on the assumption of expected credit risk and involved significant judgments, when there is significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the allowance for bad debts as a key audit matter in our audit.

The audit procedures performed in respect of the subsidiaries management's assessment of trade receivables for impairment included the following:

1. Reviewed the historical trade receivable recovery records to analyze the allowance for bad debt. Based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable is reasonable. Furthermore, we referred to the payment records and other accessible customer information of the current year, and individually verified whether there is a significant amount of delayed payments to be recognized as impairment.

2. Evaluated the collectability of overdue trade receivables after subsequent period in order to consider whether it can be recognized as extra allowance for bad debts.

3. Obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management of subsidiaries, and tested the accuracy of the aging schedule in order to calculate the allowance for bad debts recognized by management.

For the policy of evaluating the impairment of trade receivables of subsidiaries accounted for using equity method, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Inventory Valuation Losses of Subsidiaries Accounted for Using the Equity Method

We considered the significant judgment involved in evaluating the net realizable value of inventory in our audit; in particular, we focused on the estimation of allowance for outdated inventory valuation losses.

The audit procedures for testing the net realizable value of inventories of subsidiaries accounted for using the equity method are as follows:

1. Understood the Management policy of inventory valuation and the relevant internal control.

2. Tested the accuracy and completeness of the inventory aging report.

3. Tested the carrying amount of the ending inventory. We sampled the latest information of purchases and sales to verify with management whether the inventories were evaluated using the lower of cost or net realizable value method. We assessed the appropriateness of the assessment base and rationality of change of allowance for inventory valuation losses, and we recalculated the net realizable value of the ending inventory.

4 To evaluate the appropriateness of the accounting policy for recognizing the allowance for inventory valuation losses, we obtained the inventory aging report and compared the historical data of allowance for inventory valuation losses with actual disposal of inventory.

5. Attended to the inventory counts at the end of year in order to evaluate the condition of the inventory and the reasonableness of the allowance for inventory valuation loss recognition to outdated inventory and spoilage.

For the policy on evaluating the allowance for inventory valuation losses, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

Gain on Disposal of Assets of Subsidiaries Accounted for Using the Equity Method

Silitech Group decided to sell its tenure, property, plant, equipment and investment property in Suzhou by the approval of the board of directors, for which it generated a gain of $153,905 thousand on the disposal of its assets, representing approximately (401%) of the comprehensive income. We considered the overall financial statements to have a significant impact. If the substance of the transaction was not recorded correctly and reflected, it will affect the balance of the assets and the gain or loss on the financial statement. Therefore, we regard the gain or loss on disposal of relevant assets as key audit matter in our audit.

The audit procedures on testing the disposal of assets were as follows:

1. Whether the decision of selling the tenure, property, plant, equipment and investment property was determined by the board of directors. Inspected the contracts and valuation report to verify the authenticity and reasonableness of the price.

2. Sampled the transactions to the bank statements, and calculated the gain or loss on disposal of assets to verify the accuracy of such transactions.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

SILITECH TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018 Amount	2018 %	2017 Amount	2017 %
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 340,164	8	$ 490,856	11
Notes receivable, net	-	-	46	-
Trade receivables, net (Notes 4, 5 and 9)	274,477	7	236,415	6
Trade receivables from related parties (Notes 4, 5, 9 and 23)	10,618	-	17,447	1
Other receivables (Note 4)	9,998	-	6,513	-
Other receivables from related parties (Notes 4 and 23)	2,381	-	1,706	-
Current tax assets (Note 18)	495	-	-	-
Inventories, net (Notes 4 and 10)	22,101	1	1,813	-
Other current assets	9,630	-	12,406	-
Total current assets	669,864	16	767,202	18
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 3, 4 and 7)	7,308	-	-	-
Financial assets measured at costs (Notes 4 and 8)	-	-	11,165	-
Investments accounted for using the equity method (Notes 4 and 11)	3,431,464	81	3,413,592	79
Property, plant and equipment, net (Notes 4 and 12)	54,949	1	60,939	1
Intangible assets, net	1,216	-	-	-
Deferred tax assets (Notes 4 and 18)	73,952	2	64,541	2
Refundable deposits (Note 4)	175	-	376	-
Other non-current assets	6,002	-	-	-
Total non-current assets	3,575,066	84	3,550,613	82
TOTAL	$ 4,244,930	100	$ 4,317,815	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 4)	$ 53,873	1	$ 48,488	1
Trade payables to related parties (Notes 4 and 23)	259,176	6	267,723	6
Other payables (Notes 4 and 13)	76,085	2	77,783	2
Other payables to related parties (Notes 4 and 23)	9,575	-	11,120	-
Current tax liabilities (Notes 4 and 18)	-	-	972	-
Other current liabilities	6,305	-	15,319	1
Total current liabilities	405,014	9	421,405	10
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4 and 14)	42,971	1	57,888	1
Deferred tax liabilities (Notes 4 and 18)	33,357	1	36,460	1
Total non-current liabilities	76,328	2	94,348	2
Total liabilities	481,342	11	515,753	12
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	1,793,838	42	1,893,838	44
Capital surplus	507,154	12	535,425	12
Retained earnings				
Legal reserve	1,109,766	26	1,109,766	25
Special reserve	139,742	3	87,174	2
Unappropriated earnings	495,929	12	550,255	13
Total retained earnings	1,745,437	41	1,747,195	40
Other equity	(282,841)	(6)	(139,742)	(3)
Treasury shares	-	-	(234,654)	(5)
Total equity	3,763,588	89	3,802,062	88
TOTAL	$ 4,244,930	100	$ 4,317,815	100

The accompanying notes are an integral part of the financial statements.

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 16 and 23)	$ 977,970	100	$ 947,665	100
COST OF GOODS SOLD (Notes 10, 20 and 23)	(861,007)	(88)	(844,352)	(89)
GROSS PROFIT	116,963	12	103,313	11
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(113)	-	(47)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	47	-	99	-
REALIZED GROSS PROFIT	116,897	12	103,365	11
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(44,940)	(4)	(43,538)	(5)
General and administrative expenses	(123,558)	(13)	(120,484)	(13)
Research and development expenses	(41,622)	(4)	(42,934)	(4)
Expected credit gain	1,217	-	-	-
Total operating expenses	(208,903)	(21)	(206,956)	(22)
LOSS FROM OPERATIONS	(92,006)	(9)	(103,591)	(11)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 23)	13,581	1	15,500	2
Other gains and losses (Note 17)	18,730	2	(53,906)	(6)
Finance costs	-	-	(11,076)	(1)
Share of profit or loss of subsidiaries and associates	25,060	3	56,948	6
Total non-operating income and expenses	57,371	6	7,466	1
LOSS BEFORE INCOME TAX	(34,635)	(3)	(96,125)	(10)
INCOME TAX BENEFIT (Notes 4 and 18)	819	-	14,107	1
NET LOSS FOR THE YEAR	(33,816)	(3)	(82,018)	(9)

(Continued)

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (2,089)	-	$ (3,148)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	(3,858)	(1)	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	867	-	(1,384)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 18)	1,220	-	513	-
	(3,860)	(1)	(4,019)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(8,898)	(1)	(61,162)	(7)
Share of the other comprehensive income (loss) of subsidiaries and associates for using the equity method	1,578	-	(2,191)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 18)	6,522	1	10,785	1
	(798)	-	(52,568)	(6)
Other comprehensive loss for the year, net of income tax	(4,658)	(1)	(56,587)	(6)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (38,474)	(4)	$ (138,605)	(15)
LOSS PER SHARE (NT dollars; Note 19)				
Basic	$ (0.19)		$ (0.46)	
Diluted	$ (0.19)		$ (0.46)	

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

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings			Other Equity				
	Ordinary Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Unrealized Loss on Financial Assets at FVTOCI	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2017	189,384	$ 1,893,838	$ 535,425	$ 1,109,766	$ -	$ 723,466	$ (87,289)	$ 115	$ -	$ (234,654)	$ 3,940,667
Appropriation of 2016 earnings											
Special reserve	-	-	-	-	87,174	(87,174)	-	-	-	-	-
Net loss for the year ended December 31, 2017	-	-	-	-	-	(82,018)	-	-	-	-	(82,018)
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(4,019)	(52,658)	90	-	-	(56,587)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(86,037)	(52,658)	90	-	-	(138,605)
BALANCE AT DECEMBER 31, 2017	189,384	1,893,838	535,425	1,109,766	87,174	550,255	(139,947)	205	-	(234,654)	3,802,062
Effect of retrospective application	-	-	-	-	-	138,383	-	(205)	(138,178)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	189,384	1,893,838	535,425	1,109,766	87,174	688,638	(139,947)	-	(138,178)	(234,654)	3,802,062
Appropriation of 2017 earnings											
Special reserve	-	-	-	-	52,568	(52,568)	-	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	-	-	(33,816)	-	-	-	-	(33,816)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	58	(798)	-	(3,918)	-	(4,658)
Total comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	(33,758)	(798)	-	(3,918)	-	(38,474)
Cancelation of treasury shares	(10,000)	(100,000)	(28,271)	-	-	(106,383)	-	-	-	234,654	-
BALANCE AT DECEMBER 31, 2018	179,384	$ 1,793,838	$ 507,154	$ 1,109,766	$ 139,742	$ 495,929	$ (140,745)	$ -	$ (142,096)	$ -	$ 3,763,588

The accompanying notes are an integral part of the financial statements.

SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	$ (34,635)	$ (96,125)
Adjustments for:		
Depreciation expenses	10,418	12,937
Amortization expenses	610	2,100
Impairment loss recognized on trade receivables	-	965
Expected credit gain reversed on trade receivables	(1,217)	-
Net gain on fair value change of financial assets at FVTPL	(162)	(919)
Finance costs	-	11,076
Interest income	(5,134)	(10,512)
Share of profit of subsidiaries and associates	(25,060)	(56,948)
Net gain on disposal of property, plant and equipment	-	(2,115)
Unrealized loss (gain) on the transactions with subsidiaries and associates	66	(52)
Net loss on disposal of inventories	3,298	658
Changes in operating assets and liabilities		
Financial assets held for trading	-	919
Financial assets mandatorily classified as at FVTPL	162	-
Notes receivable	46	(46)
Trade receivables	(36,845)	(131,531)
Trade receivables from related parties	6,829	13,174
Other receivables	(4,201)	(235)
Other receivables from related parties	(676)	2,512
Inventories	(23,586)	(1,312)
Other current assets	2,776	(3,596)
Trade payables	5,385	22,640
Trade payables to related parties	(8,547)	125,542
Other payables	(4,405)	3,471
Other payables to related parties	(1,545)	5,086
Other current liabilities	(9,014)	6,476
Net defined benefit liabilities	(17,007)	1,447
Cash used in operations	(142,444)	(94,388)
Interest received	5,851	11,381
Dividends received	669	257,247
Interest paid	-	(11,952)
Income tax paid	(5,420)	(16,993)
Net cash (used in) generated from operating activities	(141,344)	145,295

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SILITECH TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	$ (7,723)	$ (6,965)
Proceeds from disposal of property, plant and equipment	-	3,984
Decrease in refundable deposits	201	-
Payments for intangible assets	(1,826)	(800)
Net cash used in investing activities	(9,348)	(3,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	-	(1,440,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(150,692)	(1,298,486)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	490,856	1,789,342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 340,164	$ 490,856

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

1. GENERAL INFORMATION

Silitech Technology Corporation (the "Company") was established in October 2001, and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Company will generally accept the rubber division of Silitek Corporation (the "division"). The proposal was approved in the shareholders' meeting on May 17, 2002. The Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on February 25, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement, and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement, and impairment of financial assets

      On the basis of the facts and circumstances that exist as of January 1, 2017, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Note**
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	$ 11,165	$ 11,165	a)

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Note**
FVTOCI						
Equity instruments	$ -					
Add: Reclassification from available-for-sale (IAS 39)	-	$ 11,165				
	-	11,165	$ 11,165	$ 138,300	$(138,300)	a)
Amortized cost						
Investments accounted for using the equity method	-	-	-	83	(83)	b)
	$ -	$ 11,165	$ 11,165	$ 138,383	$(138,383)	

a) The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment was required, an adjustment was made that resulted in a decrease of $138,300 thousand in other equity - unrealized gain/(loss) on financial assets at FVTOCI and an increase of $138,300 thousand in retained earnings on January 1, 2018.

b) As a result of retrospective application of IFRS 9 by associates, there was a decrease in other equity - unrealized gain (loss) on available-for-sale financial assets of $205 thousand, an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of $122 thousand and an increase in retained earnings of $83 thousand on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

   IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

The Company performed a preliminary assessment and recognized revenue based on the facts and circumstances as of January 1, 2018, and the recognition and measurement did not change upon the application of IFRS 15.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amounts of the leased assets and finance lease payables as of December 31, 2018.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Investments accounted for using the equity method	$ 3,431,464	$ (14,906)	$ 3,416,558
Total effect on assets	$ 3,431,464	$ (14,906)	$ 3,416,558
Retained earnings	$ 1,745,437	$ (14,906)	$ 1,730,531
Total effect on equity	$ 1,745,437	$ (14,906)	$ 1,730,531

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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 IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investments in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiary attributable to the Company.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

When a company entity transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

The unrealized profit or loss downstream transactions between the Company and subsidiaries will be eliminated in financial statements. The profit or loss generated from sidestream and upstream transactions between the Company and subsidiaries will be recognized in financial if only its uncorrelated with equity to subsidiaries.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of such assets is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables, at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalents) are measured using the effective interest method at amortized cost, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of such financial assets, the estimated future cash flows of the investment have been affected.

Financial assets, at amortized cost such as trade receivables, are assessed for impairment on a collective basis even if they are not assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting receivables, an increase in the number of delayed payments in the portfolio past the average credit period of 240 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Revenue recognition

<u>2018</u>

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

<u>Sale of goods</u>

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

   The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Company monitors financial assets at amortized cost or fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Company understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model, such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

   The provision for impairment of trade receivables is based on the assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of financial assets of investments in subsidiary accounted for using equity method - 2018

   The provision for impairment of trade receivables is based on the assumptions about the risk of default and expected loss rate. The Company uses judgement in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing marketing condition, as well as forward looking estimates, where the actual future cash inflows are less than expected, a material impairment loss may arise.

d. Write-down of inventory for investments in subsidiaries accounted for using the equity method

   The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 194	$ 324
Checking accounts and demand deposits	89,970	252,016
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	250,000	238,516
	$ 340,164	$ 490,856

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Time deposits	0.55%-0.66%	0.50%-3.80%

7. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted ordinary shares	$ 7,308

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 8 for information related to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 11,165
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 11,165

Management believed that the above unlisted equity investments held by the Company had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Company recognized impairment loss of financial assets measured at cost of $138,300 thousand on December 31, 2017, due to the fact that their investments in unlisted shares continued to result in losses and the value of held investments was already impaired, therefore the difference between the carrying amount and the amount recoverable was recognized as a loss.

9. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables		
At amortized cost		
Gross carrying amount	$ 285,130	$ 255,114
Less: Allowance for impairment loss	(35)	(1,252)
	$ 285,095	$ 253,862

In 2018

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has regularly evaluated for credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, or whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	Not Past Due	Less than 60 Days	Total
Expected credit loss rate	-	0.20%	
Gross carrying amount	$ 267,731	$ 17,399	$ 285,130
Loss allowance (Lifetime ECLs)	-	(35)	(35)
Amortized cost	$ 267,731	$ 17,364	$ 285,095

The movements of the loss allowance of trade receivables are as follows:

	2018
Balance at January 1 per IAS 39	$ 1,252
Adjustment on initial application of IFRS 9	-
Balance at January 1 per IFRS 9	1,252
Add: Amounts recovered	-
Less: Net re-measurement of loss allowance	(1,217)
Balance at December 31	$ 35

In 2017

The Company applied the same credit policy in 2018 and 2017. The Company determined the average credit period of sales of goods as 60-90 days. The Company recognized an allowance for 100% impairment loss against all receivables over 240 days past due because historical experience shows that receivables that are past due beyond 240 days are not recoverable. Allowance for impairment loss was recognized against trade receivables past due between 1 and 240 days based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions. As of December 31, 2017, impairment losses based on past due or impaired trade receivables are fully recognized.

The aging of receivables is as follows:

	December 31, 2017
Not overdue	$ 247,142
1-60 days	7,972
	$ 255,114

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful trade receivables are as follows:

	Collectively Assessed for Impairment
Balance at January 1, 2017	$ -
Add: Impairment losses recognized on receivables	1,252
Less: Amounts written off during the year as uncollectible	-
Balance at December 31, 2017	$ 1,252

10. INVENTORIES, NET

	December 31	
	2018	2017
Merchandise	$ 16,214	$ -
Raw materials	3,502	890
Work in progress	1,972	678
Finished goods	413	245
	$ 22,101	$ 1,813

The cost of inventories recognized as cost of goods sold included the inventory write-downs (reversals) and disposals.

	For the Year Ended December 31	
	2018	2017
Inventory write-downs (reversals)	$ (2,444)	$ (2,491)
Loss of inventory scrapped	3,298	658

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 3,360,288	$ 3,343,000
Investments in associates	71,176	70,592
	$ 3,431,464	$ 3,413,592

Investments in Subsidiaries

	December 31	
	2018	2017
Silitech (BVI) Holding Ltd.	$ 3,360,288	$ 3,343,000

Name of Company	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
Silitech (BVI) Holding Ltd.	100%	100%

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements which have been audited for the same years.

Investments in Associates

	December 31	
	2018	2017
Lite-On Japan Ltd.	$ 71,176	$ 70,592

Name of Company	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
Lite-On Japan Ltd.	7.87%	7.87%

According to the judgment of the Company's management, the Company has significant influence on Lite-On Japan Ltd. to adopt the equity method.

Refer to Table 4 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associate's financial statements which have been audited for the same years.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	December 31	
	2018	2017
Lite-On Japan Ltd.	$ 45,718	$ 77,674

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Lite-On Japan Ltd.

	December 31	
	2018	2017
Current assets	$ 1,647,044	$ 1,680,310
Non-current assets	105,209	163,850
Current liabilities	(948,086)	(1,050,484)
Non-current liabilities	(73,503)	(70,432)
Equity	$ 730,664	$ 723,244
Proportion of the Company's ownership	7.87%	7.87%
Equity attributable to the Company	$ 57,526	$ 56,942
Goodwill	13,650	13,650
Carrying amount	$ 71,176	$ 70,592

	For the Year Ended December 31	
	2018	2017
Operating revenue	$ 3,741,635	$ 3,655,636
Net profit (loss) for the year	$ (4,732)	$ 29,059
Other comprehensive income (loss)	(14,028)	515
Total comprehensive income (loss) for the year	$ (18,760)	$ 29,574
Dividends received from Lite-On Japan, Ltd.	$ 669	$ 532

12. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost								
Balance at January 1, 2017	$ 9,789	$ 167,916	$ 182,305	$ 80,542	$ 3,440	$ 48,736	$ 10,779	$ 503,507
Additions	-	-	5,650	820	-	1,050	1,540	9,060
Disposals	-	-	(15,604)	(7,110)	-	(4,739)	-	(27,453)
Balance at December 31, 2017	$ 9,789	$ 167,916	$ 172,351	$ 74,252	$ 3,440	$ 45,047	$ 12,319	$ 485,114
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 129,638	$ 108,564	$ 71,277	$ 3,440	$ 45,204	$ 8,416	$ 366,539
Disposals	-	-	(6,636)	(6,181)	-	(4,739)	-	(17,556)
Depreciation expenses	-	2,944	6,093	1,995	-	1,209	696	12,937
Balance at December 31, 2017	$ -	$ 132,582	$ 108,021	$ 67,091	$ 3,440	$ 41,674	$ 9,112	$ 361,920

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Accumulated impairment								
Balance at January 1, 2017	$ -	$ 1,155	$ 59,314	$ 7,219	$ -	$ 756	$ 1,839	$ 70,283
Disposals	-	-	(7,099)	(929)	-	-	-	(8,028)
Impairment losses	-	-	-	-	-	-	-	-
Balance at December 31, 2017	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Net balance at December 31, 2017	$ 9,789	$ 34,179	$ 12,115	$ 871	$ -	$ 2,617	$ 1,368	$ 60,939
Cost								
Balance at January 1, 2018	$ 9,789	$ 167,916	$ 172,351	$ 74,252	$ 3,440	$ 45,047	$ 12,319	$ 485,114
Additions	-	750	80	190	-	2,688	720	4,428
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Balance at December 31, 2018	$ 9,789	$ 168,666	$ 172,345	$ 74,291	$ 3,440	$ 46,956	$ 13,039	$ 488,526
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 132,582	$ 108,021	$ 67,091	$ 3,440	$ 41,674	$ 9,112	$ 361,920
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Depreciation expenses	-	2,363	5,681	336	-	1,151	887	10,418
Balance at December 31, 2018	$ -	$ 134,945	$ 113,616	$ 67,276	$ 3,440	$ 42,046	$ 9,999	$ 371,322
Accumulated impairment								
Balance at January 1, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Disposals	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Net balance at December 31, 2018	$ 9,789	$ 32,566	$ 6,514	$ 725	$ -	$ 4,154	$ 1,201	$ 54,949

(Concluded)

As a result of the life cycle of some products, the related equipment used to produce these products would be left idle due to insufficient capacity. The Company carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2018 and 2017, the accumulated impairment losses recognized were both $62,255 thousand. For the years ended December 31, 2018 and 2017, the accumulated impairment amount decreased due to disposal of equipment and were $0 and $8,028 thousand.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant structures	20-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Other equipment	2-3 years

13. OTHER PAYABLES

	December 31	
	2018	2017
Payroll	$ 40,728	$ 44,371
Services	9,789	9,149
Tooling	6,107	5,331
Equipment	3,288	581
Employee Leave	2,763	1,987
Others	13,410	16,364
	$ 76,085	$ 77,783

14. ETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 77,868	$ 72,255
Fair value of plan assets	(34,897)	(14,367)
Net defined benefit liabilities	$ 42,971	$ 57,888

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 65,997	$ (12,704)	$ 53,293
Current service cost	2,326	-	2,326
Net interest expense (income)	826	(169)	657
Recognized in profit or loss	3,152	(169)	2,983
Remeasurement			
Return on plan assets	-	42	42
Actuarial loss - changes in demographic assumptions	3,906	-	3,906
Actuarial loss - changes in financial assumptions	821	-	821
Actuarial gain - experience adjustments	(1,621)	-	(1,621)
Recognized in other comprehensive loss	3,106	42	3,148
Contributions from the employer	-	(1,536)	(1,536)
Balance at December 31, 2017	72,255	(14,367)	57,888
Current service cost	2,228	-	2,228
Net interest expense (income)	813	(170)	643
Recognized in profit or loss	3,041	(170)	2,871
Remeasurement			
Return on plan assets	-	(484)	(484)
Actuarial loss - changes in demographic assumptions	2,601	-	2,601
Actuarial loss - changes in financial assumptions	872	-	872
Actuarial gain - experience adjustments	(901)	-	(901)
Recognized in other comprehensive income (loss)	2,572	(484)	2,088
Contributions from the employer	-	(19,876)	(19,876)
Balance at December 31, 2018	$ 77,868	$ (34,897)	$ 42,971

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 523	$ 597
Selling and marketing expenses	519	520
General and administrative expenses	1,282	1,338
Research and development expenses	547	528
	$ 2,871	$ 2,983

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate(s)	1.00%	1.125%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (1,806)	$ (1,759)
0.25% decrease	$ 1,869	$ 1,822
Expected rate(s) of salary increase		
0.25% increase	$ 1,800	$ 1,756
0.25% decrease	$ (1,749)	$ (1,705)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,624	$ 1,495
The average duration of the defined benefit obligation	9.5 years	10.1 years

15. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	179,384	189,384
Amount of shares issued	$ 1,793,838	$ 1,893,838

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 507,154	$ 535,425

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and only once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, when there is net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses (including adjustments of unappropriated earnings if any) and set aside a legal reserve of 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Company and set aside a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustments of unappropriated earnings if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval.

For policies on the distribution of employees' compensation and remuneration of directors before and after the amendment, refer to Note 20 (b): Employee benefits expense.

The Company's dividends policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute cash dividends at no less than 10% of the total dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 12, 2018 and June 13, 2017, respectively, are as follows:

	Appropriation of Earnings	
	2017	**2016**
Special reserve	$ 52,568	$ 87,174

The Company reported a net loss in 2018 hence no appropriations were proposed by the board of directors on February 25, 2019 However, the Company will appropriate a special reserve of $143,099 thousand under regulations.

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 12, 2019.

d. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2017	10,000
Increase during the year	-
Number of shares at December 31, 2017	10,000
Number of shares at January 1, 2018	10,000
Decrease during the year	(10,000)
Number of shares at December 31, 2018	-

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The repurchased ordinary shares market for transfer to employees have expired and have not been transferred. The Company's board of directors approved the retirement of 10,000 thousand treasury shares on July 26, 2018. The record date for capital reduction was July 27, 2018.

On February 25, 2019, the board of directors resolved to reduce the capital and refund cash to shareholders. The capital reduction was $1,193,838 thousand, which cancelled 119,384 thousand ordinary shares and reduced capital by 66.552167%.

16. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as "product sales revenue". The Company's core technology is to integrate rubber, plastic, optical and other components, which are widely used, in industries and products such as institutional integration components and automotive components.

17. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
From bank deposits	$ 5,134	$ 10,512
Rental income	1,442	926
Others	7,005	4,062
	$ 13,581	$ 15,500

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Disposal of property, plant and equipment	$ -	$ 2,115
Foreign currency exchange	(4,178)	(59,000)
Net gain on financial assets		
Financial assets held for trading		919
Financial assets mandatorily classified as at FVTPL	162	
Others	22,746	2,060
	$ 18,730	$ (53,906)

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 28,662	$ 28,178
Foreign exchange losses	(32,840)	(87,178)
	$ (4,178)	$ (59,000)

18. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax benefit are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 3,953	$ -
Deferred tax		
In respect of the current period	(4,019)	(14,107)
Effect on tax rate change	(753)	-
Income tax benefit recognized in profit or loss	$ (819)	$ (14,107)

A reconciliation of accounting profit and income tax benefit is as follows:

	For the Year Ended December 31	
	2018	2017
Loss before Income tax	$ (34,635)	$ (96,125)
Income tax benefit calculated at the statutory rate	$ (6,927)	$ (16,341)
Nondeductible items in determining taxable income	8,600	3,992
Tax-exempt income	(32)	(156)
Unrecognized loss carryforwards/deductible temporary differences	(5,659)	(1,602)
Effect on tax rate change	(753)	-
Other	3,952	-
Income tax benefit recognized in profit or loss	$ (819)	$ (14,107)

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 495	$ -
Current tax liabilities		
Income tax payable	$ -	$ 972

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 477	$ (405)	$ -	$ 72
Unrealized exchange loss	307	(70)	-	237
Defined benefit obligation	9,685	(2,488)	1,235	8,432
Exchange differences on translating the financial statements of foreign operations	28,664	-	6,522	35,186
Payables for annual leave	338	215	-	553
Loss carryforwards	24,909	4,393	-	29,302
Others	161	24	(15)	170
	$ 64,541	$ 1,669	$ 7,742	$ 73,952

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 408	$ (151)	$ -	$ 257
Land value increment tax	9,477	-	-	9,477
Share of profit (loss) of subsidiaries and associates	26,575	(2,952)	-	23,623
	$ 36,460	$ (3,103)	$ -	$ 33,357

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 900	$ (423)	$ -	$ 477
Unrealized exchange loss	578	(271)	-	307
Defined benefit obligation	8,904	245	536	9,685
Exchange differences on translating the financial statements of foreign operations	17,879	-	10,785	28,664
Payables for annual leave	767	(429)	-	338
Loss carryforwards	-	24,909	-	24,909
Others	242	(58)	(23)	161
	$ 29,270	$ 23,973	$ 11,298	$ 64,541
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 813	$ (405)	$ -	$ 408
Land value increment tax	9,477	-	-	9,477
Share of profit (loss) of subsidiaries and associates	16,304	10,271	-	26,575
	$ 26,594	$ 9,866	$ -	$ 36,460

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expiry in 2028	$ 38,727	$ -
Deductible temporary differences		
Impairment loss of property, plant and equipment	$ 1,877	$ 1,441

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expire Year
$ 146,510	2027
38,727	2028
$ 185,237	

f. Income tax assessments

The income tax returns of the Company for all years through 2016 have been assessed by the tax authorities.

19. LOSS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic loss per share	$ (0.19)	$ (0.46)
Diluted loss per share	$ (0.19)	$ (0.46)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Year Ended December 31	
	2018	2017
Net loss for the year		
Loss for the year attributable to owners of the Company	$ (33,816)	$ (82,108)
Shares		
Weighted average number of ordinary shares used in the computation of basic loss per share	179,384	179,384
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	179,384	179,384

If the Company settles the bonuses or remuneration paid to employees in cash or shares, the Company presumed that the entire amount of the bonuses or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 10,418	$ 12,937
Intangible assets	610	2,100
	$ 11,028	$ 15,037
An analysis of depreciation by function		
Recognized in operating costs	$ 2,789	$ 3,049
Recognized in operating expenses	7,629	9,888
	$ 10,418	$ 12,937
An analysis of amortization by function		
Recognized in operating expenses	$ 610	$ 2,100

b. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 6,343	$ 6,119
Defined benefit plans (Note 14)	2,871	2,983
	9,214	9,102
Other employee benefits	172,345	169,281
	$ 181,559	$ 178,383
Employee benefits expense summarized by function		
Recognized in operating costs	$ 32,484	$ 35,787
Recognized in operating expenses	149,075	142,596
	$ 181,559	$ 178,383

In compliance with the Company's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors.

As the Company reported net losses for the years ended December 31, 2018 and 2017, no employees' compensation and remuneration to directors and supervisors were estimated.

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. CAPITAL MANAGEMENT

The Company maintains its capital to suffice equipment improvement. In order to suffice future operating funds, capital expenditures, research and development costs, repayment of debt and appropriating of dividends over the following 12 months, the Company manages its capital to ensure financial resource and plan of operation capability.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 7,308	$ 7,308

December 31, 2017: None

There were no transfers between Levels 1 and 2 as of the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as follows. An increase in long-term revenue growth rates or long-term pre-tax operating margins or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	$ -	$ 753,359
Available-for-sale financial assets (2)	-	11,165
Financial assets at amortized cost (3)	637,813	-
Financial assets at FVTOCI	7,308	-
Financial liabilities		
Amortized cost (4)	355,217	358,756

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, trade receivables, other receivables and guarantee deposits.

2) The balances include the carrying amounts of available-for-sale financial assets measured at cost.

3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables, other receivables and guarantee deposits.

4) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Company is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Company's financial performance due to market fluctuation.

The Corporate Treasury function is reviewed by the Company's board of directors and audit committee in accordance with related rules and internal control systems. The Company should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Company's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (including forward exchange contracts and currency swap contracts). The Company could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Company's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD against the USD and the RMB. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The number below indicates an increase or a decrease in pre-tax profit associated with the NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of the NTD against the USD and the RMB, there would be an equal and opposite impact on pre-tax profit.

	USD Impact (i) For the Year Ended December 31		RMB Impact (ii) For the Year Ended December 31	
	2018	2017	2018	2017
Profit or loss	$ (176)	$ 1,576	$ 112	$ 7,451

i. This was mainly attributable to the exposure on outstanding receivables and financial assets at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB in cash flow hedges at the end of the reporting period.

b) Interest rate risk

The Company was exposed to interest rate risk because of market rate change. The impact on floating fair values of financial instruments and floating cash flows.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 250,000	$ 238,516
Cash flow interest rate risk		
Financial assets	89,969	251,975

Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Company's profit or loss are as follows:

	Market Rate Change Impact	
	2018	**2017**
Profit or loss	$ 90	$ 252

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business-related credit risk

To maintain the quality of receivables, the Company has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Company's concentration of credit risk of 87% and 97% of total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Company's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Company's Department of Finance. However, since the Company's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Company has financial flexibility.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 398,709	$ -	$ -	$ -

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 405,114	$ -	$ -	$ -

23. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Lite-On Technology Corporation, and their ordinary shareholders of the Company as of December 31, 2018 and 2017 are all 33.87%.

The details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Company
Lite-On Technology Corporation	The Company's parent
Lite-On Japan Ltd.	Associate
Chi Mei Mold Co., Ltd.	Other related party
Lite-On Semiconductor Corp.	Other related party
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party
Lite-On Mobile India Private Limited	Subsidiary of Lite-On Technology Corporation
Lite-On Integrated Service Inc.	Subsidiary of Lite-On Technology Corporation
Silport Travel Corp.	Related party in substance

b. Sales of goods

Item	Related Party Category	For the Year Ended December 31 2018	2017
Sales of goods	Associates	$ 13,024	$ 45,273
	Subsidiaries	11,902	17,064
	The Company's parent	1,316	-
	Other related parties	-	369
		$ 26,242	$ 62,706

The sale of goods to related parties were made at the Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiaries - Silitech Technology Corporation Limited	$ 708,578	$ 679,481
Subsidiaries	2,358	-
Other related parties	3,740	1,127
	$ 714,676	$ 680,608

The purchases conditions to related parties had no significant difference with other non-related parties.

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31 2018	2017
Operating expenses	Other related parties	$ 3,865	$ 14,506
	The Company's parent	4,368	5,116
	Subsidiaries of Lite-On Technology Corporation	841	1,000
	Related party in substance	1,346	1,681
	Subsidiaries	-	47
		$ 10,420	$ 22,350
Other revenue	Other related parties - Chi Mei Mold Co., Ltd.	$ 1,431	$ 914
	Other related parties	1,026	265
	The Company's parent	409	-
		$ 2,866	$ 1,179

The Company leases offices to Chi Mei Mold Co., Ltd. (other related party) for $119 thousand per month for the year 2018, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties

Item	Related Party Category	December 31 2018	December 31 2017
Trade receivables	Associates	$ 8,388	$ 9,116
	Subsidiaries	2,230	8,331
		$ 10,618	$ 17,447
Other receivables	Subsidiaries - Silitech Technology Corp. Sdn. Bhd.		
	The Company's parent	$ 535	$ 1,147
	Other related parties	116	297
	Associates	1,586	261
		144	1
		$ 2,381	$ 1,706

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties

Item	Related Party Category	December 31 2018	December 31 2017
Trade payables	Subsidiaries of Silitech Technology Corp. Ltd.	$ 257,013	$ 266,814
	Other related parties	2,163	909
		$ 259,176	$ 267,723
Other payables	Other related parties - Chi Mei Mold Co., Ltd.	$ 7,893	$ 9,333
	The Company's parent	1,522	1,633
	Subsidiaries of Lite-On Technology Corporation	67	76
	Related party in substance	93	78
		$ 9,575	$ 11,120

The outstanding trade payables from related parties are unsecured.

g. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 4,819	$ 4,771
Termination benefits	191	200
	$ 5,010	$ 4,971

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company and Lite-On Technology Corporation signed a mutual contract regarding registrar inquiries and management services, and the payment of relevant expenses would be shared by both companies according to the agreed proportion stated in the contract.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,219	30.6650 (USD:NTD)	$ 252,042
EUR	501	35.1574 (EUR:NTD)	17,605
JPY	6,163	0.2776 (JPY:NTD)	1,711
RMB	499	4.4836 (RMB:NTD)	2,239
Non-monetary items			
Investments accounted for using the equity method			
USD	109,581	30.6650 (USD:NTD)	3,360,288
JPY	256,398	0.2776 (JPY:NTD)	71,176
Financial liabilities			
Monetary items			
USD	8,334	30.6650 (USD:NTD)	255,558
EUR	39	35.1574 (EUR:NTD)	1,364
JPY	3,730	0.2776 (JPY:NTD)	1,036

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 9,951	29.8480 (USD:NTD)	$ 297,024
EUR	389	35.6922 (EUR:NTD)	13,876
JPY	18,172	0.2650 (JPY:NTD)	4,815
RMB	32,598	4.5715 (RMB:NTD)	149,023
Non-monetary items			
Investments accounted for using the equity method			
USD	112,001	29.8480 (USD:NTD)	3,343,000
JPY	266,385	0.2650 (JPY:NTD)	70,592
Financial liabilities			
Monetary items			
USD	8,896	29.8480 (USD:NTD)	265,513
JPY	7,332	0.2650 (JPY:NTD)	1,943

The significant unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.1843 (USD:NTD)	$ 108	30.4436 (USD:NTD)	$ 487
RMB	4.5518 (RMB:NTD)	12	4.5029 (RMB:NTD)	46
EUR	35.1574 (EUR:NTD)	(22)	35.3528 (EUR:NTD)	2
JPY	0.2727 (JPY:NTD)	3	0.2651 (JPY:NTD)	56
		$ 101		$ 591

26. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. Information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 2 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 3 below.

9) Trading in derivative instruments: None.

10) Information on investees: See Table 4 below.

c. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 5 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 6 below.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

TABLE 1

SILITECH TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	Member of the board of directors	Financial assets at FVTOCI	1,300	$ 7,308	10.00	$ 7,308	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note

Note: The carrying values of financial instruments were all assessed for impairment.

TABLE 2

SILITECH TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	$ 708,578	85	90 days	No significant difference	90-120 days	$ (257,013)	82	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US$ 23,253 JPY 11,150 EUR 78	98	90 days	No significant difference	90-120 days	US$ 8,303 JPY 3,730 EUR 39	100	

TABLE 3

SILITECH TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Inter-trade Receivables	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
					Amount	Action Taken			
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	US$ 8,303 JPY 3,730 EUR 39	2.72	$ -	-	US$ 2,200 JPY 404	$ -	

TABLE 4

SILITECH TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US$ 95,182	US$ 95,182	95,182	100.00	$ 3,360,288	US$ 848	$ 25,397	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	JPY 197,040	JPY 197,040	980	7.87	71,176	JPY (17,352)	(337)	Accounted for using the equity method

Note: Refer to Table 5 for information on investments in mainland China.

SILITECH TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assemblies	$ 85,862 (US$ 2,800)	Note 1	$ 203,354	$ -	$ -	$ 203,354	$ (202,669) (RMB -44,525)	100.00	$ (202,669) (RMB -44,525)	$ 619,030 (RMB 138,077)	$ 4,037,143 (US$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	827,955 (US$ 27,000)	Note 1	2,391,870 (US$ 78,000)	-	-	2,391,870 (US$ 78,000)	102,329 (RMB 22,481)	100.00	102,329 (RMB 22,481)	433,743 (RMB 96,748)	1,243,149 (US$ 8,796) (RMB 214,783)	(Note 6)

Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ 2,687,219 (Note 4) (US$ 81,000) ($ 203,354)	$ 2,837,631 (Note 4) (US$ 85,905) ($ 203,354)	$7,538,445 (Note 3)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.

Note 3: The Company's upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation's net worth or worth of $80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $3,763,588 (net worth) × 60% + $5,208,292 = $7,538,445

Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC are as follows:

Name of Investee	Order No.	Approved Amounts
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT$ 203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US$ 3,000
Silitech Technology (Suzhou) Co., Ltd.	09600170390	US$ 20,000
Silitech Technology (Suzhou) Co., Ltd.	09600164790	US$ 2,000
Silitech Technology (Suzhou) Co., Ltd.	09500326290	US$ 11,000
Silitech Technology (Suzhou) Co., Ltd.	09700434630	US$ 45,000
Silitech Plating (ShenZhen) Co., Ltd. (liquidated in September 2012)	09500004400	US$ 605
Suzhou Xulong Mold Producting Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US$ 1,200
Suzhou Xulong Mold Producting Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US$ 1,500
Silitech Surface Treatment(ShenZhen) Co., Ltd(liquidated in December 2012)	09900449200	US$ 1,600

Note 5: Including accumulated investment of US$2,700 thousand which is not from Taiwan (ROC).

Note 6: Silitech Technology (Suzhou) Co., Ltd.'s original paid-in capital was US$78,000. On September 13, 2018,the board of directors decided to return US$51,000 thousand through cash reduction to upper level shareholders - Silitech (Hong Kong) Holding Ltd. US$40,000 thousand was completed on December 31, 2018.

Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of $58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

TABLE 6

SILITECH TECHNOLOGY CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Sale	$ 9,916	1	No significant difference	90 days	60-90 days	$ 1,730	1	$ -	-
	Purchase	708,578	85	No significant difference	90 days	90-120 days	(257,013)	82	185	-

SILITECH TECHNOLOGY CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Items	Period	Annual Rate (%)	Amounts
Cash on hand			$ 194
Cash in banks			
Checking accounts			1
Demand deposits (Note)			89,969
Cash equivalents			
Investments with original maturities of less than 3 months		0.55-0.66	250,000
			$ 340,164

Note: Includes US$581 thousand at 30.665, JPY1,624 thousand at 0.2776, RMB114 thousand at 4.4836 and EUR71 thousand at 35.1574.

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Client A	$ 114,087
Client B	43,481
Client C	38,661
Client D	28,474
Client E	15,022
Client F	14,378
Others (Note)	20,409
	274,512
Less: Allowance for doubtful accounts	(35)
	$ 274,477

Note: The amount of individual client included in others does not exceed 5% of the account balance.

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance, December 31, 2018			Market Value or Net Assets Value	Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount (Note 1)	Shares (In Thousands)	Amount (Note 2)		Shares (In Thousands)	%	Amount		
Listed												
Lite-On Japan Ltd.	980	$ 70,592	-	$ 1,650	-	$ (729)	$ (337)	980	7.87	$ 71,176	$ 45,718	N/A
Unlisted												
Silitech (BVI) Holding Ltd.	95,182	3,343,000	-	855	-	(8,964)	25,397	95,182	100.00	3,360,288	3,360,288	N/A
		$ 3,413,592		$ 2,505		$ (9,693)	$ 25,060			$ 3,431,464	$ 3,406,006	

Note 1: Mainly including net defined benefit liabilities and effects of foreign currency exchange difference were $927 thousand and $1,578 thousand.

Note 2: Lite-On Japan Ltd.: Unrealized losses on financial assets at FVTOCI and cash dividend were $60 thousand and $669 thousand.
Silitech (BVI) Holding Ltd.: Effects of foreign currency exchange difference and unrealized sales margin were $8,898 thousand and $66 thousand.

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Shipments (Thousand Pieces)	Amount
Sales revenue for button product	-	$ 981,505
Less: Sales return		(1,109)
Allowance for sale		(2,426)
		$ 977,970

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amounts
Inventory balance, beginning of year	$ 836
Add: Purchases, net	39,868
Less: Inventory balance, end of year	(3,492)
Sales of material	(841)
Inventory scrapped	(3,227)
Other impairment	(131)
Materials consumed (1)	33,013
Direct labor (2)	4,664
Manufacturing expenses (3)	47,389
Manufacturing cost (1)+(2)+(3)	85,066
Add: Work-in-progress, beginning of year	678
Others	47
Less: Work-in-progress, end of year	(1,972)
Sales of work-in-progress	(65)
Cost of finished goods	83,754
Add: Finished goods, beginning of year	245
Others	51
Less: Finished goods, end of year	(413)
Finished good scrapped	(9)
Others	(118)
Cost of goods sold for manufacturing sector	83,510
Merchandise balance, beginning of year	-
Add: Purchases	788,418
Others	807
Less: Merchandise balance, end of year	(16,214)
Cost of goods sold for merchandising sector	773,011
Other cost of goods sold	
Add: Sales of materials	1,981
Sales of work-in-progress	65
Loss on inventory scrapped	3,298
Less: Sales return	(858)
	$ 861,007

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Gain on Reversal of Expected Credit Loss	Total
Payroll and related expenses	$ 28,297	$ 66,976	$ 27,479	$ -	$ 122,752
Service fee	886	17,752	169	-	18,807
Insurance expenses	2,164	6,426	2,613	-	11,203
Traveling expenses	5,743	2,114	847	-	8,704
Depreciation expenses	-	3,326	4,303	-	7,629
Pension	1,865	3,751	1,981	-	7,597
Repair and maintenance expenses	-	4,806	199	-	5,005
Food stipend	1,087	2,139	1,354	-	4,580
Gain on reversal of expected credit loss	-	-	-	(1,217)	(1,217)
Others (Note)	4,898	16,268	2,677	-	23,843
	$ 44,940	$ 123,558	$ 41,622	$ (1,217)	$ 208,903

Note: The amount of each item in others does not exceed 2% of the account balance.

SILITECH TECHNOLOGY CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	2018			2017		
	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 26,314	$ 120,717	$ 147,031	$ 29,239	$ 116,715	$ 145,954
Labor and health insurance	2,548	9,768	12,316	2,718	9,208	11,926
Pension	1,617	7,597	9,214	1,694	7,408	9,102
Board compensation	-	2,035	2,035	-	1,985	1,985
Food stipend	1,609	4,580	6,189	1,730	4,222	5,952
Employee benefits	381	1,091	1,472	396	1,027	1,423
Others	15	3,287	3,302	10	2,031	2,041
	$ 32,484	$ 149,075	$ 181,559	$ 35,787	$ 142,596	$ 178,383
Depreciation	$ 2,789	$ 7,629	$ 10,418	$ 3,049	$ 9,888	$ 12,937
Amortization	$ -	$ 610	$ 610	$ -	$ 2,100	$ 2,100
Numbers of employee			175			146