Stock Code:2383

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of ELITE MATERIAL CO., LTD.:

Opinion

We have audited the financial statements of ELITE MATERIAL CO., LTD.("the Company"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the years ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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.

1.Revenue recognition

Please refer to Note 4(n) "Revenue" and Note 6(p) "Revenue" of the consolidated financial statements.

Description of key audit matter:

The recognition of revenue is based on the fact that the Company has transferred all its ownership and the significant risk of its products to the customers. The judgment on the arrival date of the products involves uncertainty under the FOB destination which is stated in the sales contracts between the Company and the customers. The Company still needs to take the risk of the products before they are delivered to customers.

Therefore, the recognition of revenue was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the accounting policies on the recognition timing of sales revenue and the appropriateness of related internal controls; testing the effectiveness of implementation of internal control ; performing cut-off test for recognition of revenue on the period before and after the reporting date to assess the rationality to the recognition timing of sales revenue.

2. Allowance for Inventory Valuation

Please refer to Note (4)(g) "Inventories" and Note (6)(e)" Inventories" of the consolidated financial statements.

Description of key audit matter:

The printed circuit board and other electronic components are the major products of the Company. Inventories have specific life cycle due to their attributes. Apart from this, the Company prepared certain amounts of security stock to meet the delivery date required by the customers. Inventories are stated at the lower of cost or net realizable value. Consequently, there may be situations that the net realizable value of inventory will exceed its cost. In addition, the Company would purchase the materials in advance for the expected sales orders. The cancellation or the change of orders, and the change of the material used or quantities of the material may lead to product obsolescence. Therefore, the recognition on allowance for inventory valuation and obsolescence loss was considered to be one of the key audit matters in the audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing the allowance for loss due to price decline, obsolete, and slow moving inventories to determine whether policy of the Company is applied; selecting samples to examine their net realizable values to verify the accuracy and completeness of inventory aging report; reassessing the accuracy of allowance for inventory valuation and obsolescence loss according to the Company' s accounting policy; performing a retrospective review to evaluate the completeness of disclosure for allowance for inventories.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, 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 are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor's 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 appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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 of the current period 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 Chung-Yi Chiang and Yi-Chun Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018.12.31		2017.12.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**
	Current Assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 275,297	1	1,687,855	10
1150	Notes receivable, net (Note (6)(c))	234,267	1	263,681	2
1170	Accounts receivable, net (Note (6)(c))	1,556,604	9	1,597,791	10
1181	Accounts receivable due from related parties (Note (7))	488,707	3	221,846	1
1200	Other receivables, net (Notes (6)(d) and (7))	54,170	-	23,667	-
1220	Current tax assets	134,792	1	-	-
1310	Inventories, manufacturing business, net (Note (6)(e))	639,120	4	685,937	4
1470	Other current assets	31,912	-	36,747	-
		3,414,869	19	4,517,524	27
	Non-Current Assets:				
1550	Investments accounted for using equity method, net (Note (6)(f))	11,951,050	68	9,642,980	59
1600	Property, plant and equipment (Note (6)(g))	2,126,016	12	2,141,028	13
1780	Intangible assets	4,160	-	2,795	-
1840	Deferred tax assets (Note (6)(o))	111,292	1	57,488	-
1900	Other non-current assets	74,769	-	88,000	1
1920	Guarantee deposits paid	1,895	-	3,962	-
		14,269,182	81	11,936,253	73
	Total assets	**$ 17,684,051**	**100**	**16,453,777**	**100**

		2018.12.31		2017.12.31	
	LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
	Current Liabilities:				
2100	Short-term borrowings (Note (6)(h))	$ 517,758	3	150,325	1
2110	Short-term notes payable (Note (6)(i))	199,655	1	-	-
2170	Accounts payable	1,614,594	9	1,508,605	9
2180	Accounts payable to related parties (Note (7))	9,620	-	43,847	-
2200	Other payables	486,872	3	739,494	5
2230	Current tax liabilities	-	-	154,288	1
2250	Current provisions (Note (6)(m))	-	-	15,118	-
2365	Current refund liabilities (Note (6)(l))	5,973	-	-	-
2322	Long-term borrowings, current portion (Note (6)(j))	100,000	1	-	-
2399	Other current liabilities, others	5,516	-	4,689	-
		2,939,988	17	2,616,366	16
	Non-Current liabilities:				
2530	Bonds payable (Note (6)(k))	1,344,900	8	1,320,206	8
2540	Long-term borrowings (Note (6)(j))	300,000	2	-	-
2551	Non-current provisions for employee benefits (Note (6)(n))	12,716	-	21,629	-
2570	Deferred tax liabilities (Note(6)(o))	1,167,141	6	606,912	4
2500	Non-current financial liabilities at fair value through profit or loss (Note(6)(b))	11,022	-	5,869	-
2645	Guarantee deposits received	8,087	-	11,116	-
		2,843,866	16	1,965,732	12
	Total liabilities	5,783,854	33	4,582,098	28
	Equity attributable to owners of parent (Note (6)(p)):				
3100	Capital stock	3,196,524	18	3,196,524	19
3200	Capital surplus	623,721	3	623,721	3
	Retained earnings:				
3310	Legal reserve	1,535,792	9	1,256,696	8
3320	Special reserve	237,192	1	126,586	1
3351	Accumulated profit and loss	6,730,522	38	6,905,344	42
3400	Other equity interest	(423,554)	(2)	(237,192)	(1)
	Total equity	11,900,197	67	11,871,679	72
	Total liabilities and equity	**$ 17,684,051**	**100**	**16,453,777**	**100**

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

(English Translation of Parent Company Only Financial StatementsFinancial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (Note (6)(r), (s) and Note (7))**	$ 6,221,721	100	6,181,352	100
5000	**Operating costs (Note (6)(e) and Note (7))**	(5,474,462)	(88)	(5,167,859)	(84)
	Gross profit from operations	747,259	12	1,013,493	16
5910	Less: Unrealized profit from sales	(11,488)	-	(5,225)	-
5920	Add: Realized profit on from sales	5,225	-	1,046	-
	Gross profit from operations	740,996	12	1,009,314	16
	Operating expenses:				
6100	Total selling expenses	(188,921)	(3)	(195,666)	(3)
6200	Total administrative expenses	(214,155)	(3)	(305,206)	(5)
6300	Total research and development expenses	(152,747)	(3)	(127,866)	(2)
6300	**Total operating expenses**	(555,823)	(9)	(628,738)	(10)
	Net operating income	185,173	3	380,576	6
	Non-operating income and expenses:				
7010	Other income (Note (6)(u))	4,910	-	2,087	-
7020	Other gains and losses, net (Note (6)(u))	(6,536)	(1)	(7,634)	-
7370	Share of profit of associates and joint ventures accounted for using equity method	2,265,635	36	3,119,404	50
7050	Finance costs (Note (6)(u))	(30,670)	-	(34,400)	-
	Total non-operating income and expenses	2,233,339	35	3,079,457	50
7900	**Profit before income tax**	2,418,512	38	3,460,033	56
7950	**Less: Tax expense (Note (6)(o))**	(667,134)	(11)	(669,076)	(11)
	Period	1,751,378	27	2,790,957	45
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit and loss**				
8311	Remeasurements from defined benefit plans	(5,257)	-	2,493	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(69)	-	-	-
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	3,091	-	(424)	-
	Total items that will not be reclassified subsequently to profit and loss	(2,235)	-	2,069	-
8360	**Other components of other comprehensive income that will not be reclassified to profit or loss**				
8361	Exchange differences on translation	(242,915)	(4)	(133,260)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	56,622	1	22,654	-
	Total items that will not be reclassified subsequently to profit and loss	(186,293)	(3)	(110,606)	(2)
8300	**Other comprehensive income (net of tax)**	(188,528)	(3)	(108,537)	(2)
	Total comprehensive income	**$ 1,562,850**	**24**	**2,682,420**	**43**
	Basic earnings per share (Note (6)(r))(dollars)	**$**	**5.48**		**8.74**
	Diluted earnings per share (Note (6)(r))(dollars)	**$**	**5.32**		**8.53**

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Total other equity interest		
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Statements	Unrealised gains (losses) on equity instruments at fair value through other comprehensive income	Total equity
Balance at January 1, 2017	$ 3,189,211	443,632	979,661	-	6,014,995	(126,586)	-	10,500,913
Profit for the years ended December 31, 2017	-	-	-	-	2,790,957	-	-	2,790,957
Other comprehensive income for the years ended December 31, 2017	-	-	-	-	2,069	(110,606)	-	(108,537)
Total comprehensive income for the years ended December 31, 2017	-	-	-	-	2,793,026	(110,606)	-	2,682,420
Earnings distribution:								
Legal reserve	-	-	277,035	-	(277,035)	-	-	-
Special reserve	-	-	-	126,586	(126,586)	-	-	-
Cash dividends	-	-	-	-	(1,499,056)	-	-	(1,499,056)
Conversion of convertible bonds	5,863	62,556	-	-	-	-	-	68,419
Equity component of convertible bonds issued by the Company - arise from stock option	-	121,544	-	-	-	-	-	121,544
Conversion of convertible bonds to ordinary shares	-	(5,559)	-	-	-	-	-	(5,559)
Issuance of shares for exercise of employee stock options	1,450	1,595	-	-	-	-	-	3,045
Recognized compensation costs on employee stock option	-	(47)	-	-	-	-	-	(47)
Balance at December 31, 2017	3,196,524	623,721	1,256,696	126,586	6,905,344	(237,192)	-	11,871,679
Profit (loss) for the years ended December 31, 2018	-	-	-	-	1,751,378	-	-	1,751,378
Other comprehensive income for the years ended December 31, 2018	-	-	-	-	(2,166)	(186,293)	(69)	(188,528)
Total comprehensive income for the years ended December 31, 2018	-	-	-	-	1,749,212	(186,293)	(69)	1,562,850
Earnings distribution:								
Legal reserve	-	-	279,096	-	(279,096)	-	-	-
Special reserve	-	-	-	110,606	(110,606)	-	-	-
Cash dividends	-	-	-	-	(1,534,332)	-	-	(1,534,332)
Balance at December 31, 2018	**$ 3,196,524**	**623,721**	**1,535,792**	**237,192**	**6,730,522**	**(423,485)**	**(69)**	**11,900,197**

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

ELITE MATERIAL CO., LTD.

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Profit before tax	$	2,418,512	3,460,033
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		169,241	138,120
Amortization expense		2,388	2,006
Expected credit loss / Provision for bad debt expense		-	400
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		5,153	(2,120)
Interest expense		5,976	18,789
Interest income		(4,910)	(2,087)
Share-based payments		-	(47)
Share of loss of subsidiaries,associates and joint ventures accounted for using equity method		(2,265,635)	(3,119,404)
Loss (gain) on disposal of property, plan and equipment		(50)	331
Impariment loss		24,694	15,611
Total adjustments to reconcile profit		(2,063,143)	(2,948,401)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		29,402	(36,166)
Accounts receivable		41,199	145,959
Accounts receivable due from related parties		(266,861)	(189,365)
Other receivable		(30,626)	(19,354)
Inventories		46,817	(139,402)
Deferred revenues		6,233	4,087
Other current assets		4,835	(6,107)
Other assets		13,231	12,924
Total changes in operating assets		(155,770)	(227,424)
Changes in operating liabilities:			
Accounts payable		105,989	148,628
Accounts payable to related parties		(34,227)	7,667
Other payable		(183,573)	88,586
Provisions		-	(3,523)
Current refund liabilities		(9,145)	-
Other current liabilities		827	378
Net defined benefit liability		(14,170)	(6,958)
Total changes in operating liabilities		(134,299)	234,778
Total changes in operating assets and liabilities		(290,069)	7,354
Total adjustments		(2,353,212)	(2,941,047)
Cash inflow generated from operations		65,300	518,986
Interest received		5,033	1,964
Dividends received		-	2,819,181
Interest paid		(5,311)	(15,609)
Income taxes paid		(390,076)	(669,120)
Net cash flows used in operating activities		(325,054)	2,655,402
Cash flows from investing activities:			
Acquisition of investments accounted for using equity method		(291,652)	-
Acquisition of property, plant and equipment		(223,943)	(518,892)
Proceeds from disposal of property, plant and equipment		50	144
Increase in refundable deposits		2,067	1,487
Acquisition of intangible assets		(3,753)	(2,210)
Net cash flows from investing activities		(517,231)	(519,471)
Cash flows from financing activities:			
Increase in short-term loans		367,433	128,303
Increase in short-term notes and bills payable		199,655	-
Proceeds from issuing bonds		-	1,500,000
Proceeds from long-term debt		400,000	750,000
Repayments of long-term debt		-	(1,975,000)
Increase in guarantee deposits received		(3,029)	595
Cash dividends paid		(1,534,332)	(1,499,056)
Exercise of employee share options		-	3,045
Net cash flows used in financing activities		(570,273)	(1,092,113)
Net decrease in cash and cash equivalents		(1,412,558)	1,043,818
Cash and cash equivalents at beginning of period		1,687,855	644,037
Cash and cash equivalents at end of period	$	**275,297**	**1,687,855**

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

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

ELITE MATERIAL CO., LTD. (the "Company") was incorporated on March 24, 1992 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The main operating activities are the manufacturing and selling of copper clad laminates, electronic-industrial specialty chemical and raw materials, work-in-process, and finished goods of electronic components. The manufacturing and selling of printed circuit board is the main source of sales revenue.

The Company's common shares were traded on the Taipei Exchange (TPEx) on December 26, 1996, and its shares were publicly listed and traded on the Taiwan Stock Exchange (TSE) on November 27, 1998. The Company's registered office is on No.18, Datong 1st Rd., Guanyin Dist., Taoyuan City 328, Taiwan (R.O.C.).

(2) Approval Date and Procedures of the Financial Statements

The Board of Directors approved and issued the financial statements on March 22, 2019.

(3) New Standards and Interpretations Adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company onlyfinancial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Refund liabilities

Refund liabilities are recognized when the Company receives payments from its customers and expects to return some or all of the payments.

3) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Company's financial statements:

	2018.12.31			January 1, 2018		
Impacted line items on the balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Current provisions	$ 5,973	(5,973)	-	15,118	(15,118)	-
Non-current contract liabilities	-	5,973	5,973	-	15,118	15,118
Impact on liabilities		-			-	

Impacted line items on the statement of cash flows	For the year ended 2018.12.31 Before adjustments	Impact of changes in accounting polices	After adjustments
Cash flows from operating activities:			
Adjustments:			
Current provisions	$ (9,145)	9,145	-
Deferred revenues	-	(9,145)	(9,145)
Impact on net cash flows from operating activities		-	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss' model in IAS 39 with the ‘expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

· Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

· The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

· If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	1,687,855	Amortized cost	1,687,855
Trade and other receivables	Loans and receivables (note 1)	2,106,985	Amortized cost	2,106,985
Other financial assets (Guarantee deposits paid)	Loans and receivables	3,962	Amortized cost	3,962

Note1: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(y).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date 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

The Company assessed that the above IFRSs may not be relevant to The Company.

(4) Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. Except for those described individually.

(a) Statement of compliance

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

(b) Basis of preparation

1.Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial assets and liabilities at fair value through profit or loss in fair value measurement;

2) The net defined benefit liabilities (or assets) is recognized as the fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit assets as disclosed in Note 4(o).

2.Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign Currency

1.Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Those foreign currency differences arising on retranslation are recognized in profit or loss.

Foreign currency differences arising on retranslation are recognized in profit or loss.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of a joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Assets and liabilities classified as current and non-current

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

1.Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract;

·the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

·it is probable that the borrower will enter bankruptcy or other financial reorganization;or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off either partially or in full to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

2.Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if it they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A. Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

B. Performance of the financial asset is evaluated on a fair value basis;

C. A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in statement of comprehensive income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in statement of comprehensive income account.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in statement of comprehensive income.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in statement of comprehensive income.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

3.Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses thereon on a different basis;

B. Performance of the financial liabilities is evaluated on a fair value basis; or

C. A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in statement of comprehensive income.

A financial liability at fair value through profit or loss is measured at cost if it is a short sale of unquoted equity investment whose fair value cannot be reliably measured and the short seller is obligated to deliver the equity instrument.

The Company issues financial guarantee contracts and loan commitments and designates them as at fair value through profit or loss. Any gains and losses are recognized in profit or loss, under non-operating income and expenses.

3) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in the statement of comprehensive income.

4) Derecognizing of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in the statement of comprehensive income.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37, or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

4.Derivative financial instruments, including hedge accounting (policy applicable from January 1, 2018)

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

5.Derivative financial instruments and hedge accounting (policy applicable before January 1, 2018)

Except for the following items, the Company applies the same accounting policies as applicable from January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and of the embedded derivatives are not closely related.

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated using the weighted-average-cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The financial statements include the Company’s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company’s share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(j) Property, plant, and equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

2.Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

3.Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	2 ~56 years
2) Machineries	3 ~19 years
3) Miscellaneous equipment	2 ~14 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(k) Intangible assets

Software that is acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1.Softwares	2 ~ 5 years
2.Loyalties	9 years

The residual value, amortization period and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment – non financial assets

To ensure inventories, deferred tax assets, and assets arising from employee benefits are carried at no more than their recoverable amount, and to define how the recoverable amount is determined, if it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset’s cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss.

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

The provision of sales discounts from defective products is recognized when selling. The provision is estimated and measured on related probabilities of historical experience data and all possible results.

(n) Revenue

1.Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

1) Sale of goods-electronic components

The Company manufactures and sells electronic components to computer, automobile, and tele-communication manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company’s obligation to provide a refund for faulty products is recognized at the time of sale. Accumulated experience is used to estimate such returns at the time of sale. The amount estimated is recognized as a provision for warranty at reporting date.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2.Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. Generally for such products, the customer has no right of return.

(o) Employee benefits

1.Defined contribution plans

Obligations for contributions to the defined contribution pension plans are recognized as employee benefit expense in profit or loss in the periods during which services are rendered by the employees.

2.Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation with respect to the defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Any fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company’ s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are amended, the relating expenses, resulting from the portion of the increased benefit relating to past services provided by the employees, are recognized immediately in profit or loss to the extent that the benefits are vested immediately.

Remeasurement of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

3.Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1.Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

2.Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

3.Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1.the entity has the legal right to settle tax assets and liabilities on a net basis; and

2.the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock bonus. The Company's potential diluted ordinary shareholders include convertible bonds and stock option giving to employee.

(s) Operating segments

Please refer to the consolidated financial report of Elite Material Co., Ltd. for the years ended December 31, 2018 and 2017 for operating segments information.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note (6)(e) for further description of the valuation of inventories.

(6) Summary of Major Accounts

(a) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	$ 532	535
Savings accounts	225,765	859,120
Time deposits	49,000	828,200
	$ 275,297	**1,687,855**

Please refer to Note 6(v) for the interest analysis of financial assets and liabilities.

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

	2018.12.31	2017.12.31
Held-for-trading financial liabilities-non-current:		
Redemption and repurchase option of bonds	**$ 11,022**	**5,869**

As of December 31, 2018 and 2017, the Company did not provide any financial assets for using equity method as collaterals for its loans.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(c) Notes and accounts receivable

	2018.12.31	2017.12.31
Notes receivable-from operating activities	$ 234,521	263,923
Accounts receivable-measured at amortized cost	2,046,354	1,826,472
Less: Loss allowance	(1,297)	(7,077)
	$ 2,279,578	2,083,318

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018 and 2017. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision of notes and account receivables of the Company as of December 31, 2018 and 2017 were determined as follows:

	Gross carrying amount	Weighted-average loss	Loss allowance provision
Current	$ 2,214,541	0.00% - 10.00%	873
Overdue 0-30 days	63,844	0.00% - 10.00%	26
Overdue 31-120 days	1,915	0.00% - 10.00%	328
Overdue 121 days and more	575	0.00% - 100%	70
	$ 2,280,875		1,297

The Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	2017.12.31
Overdue 0-30 days	$ 20,651
Overdue 31-120 days	12,057
Overdue 121 days and more	6,433
	$ 39,141

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The movement in the allowance for notes and accounts receivable for the years ended December 31, 2018 and 2017, were as follow:

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance at beginning of the period (IAS39)	$ 7,077	6,433	244
Adjustment on initial of application of IFRS9	-		
Balance at beginning of the period (IFRS9)	7,077		
Impairment losses recognized	-	-	400
Eliminated amount due to unrecovered receivables	(5,780)	-	-
Balance at the end of the period	**$ 1,297**	**6,433**	**644**

The Company signed an accounts receivable without recourse factoring agreement. According to the agreement, the Company was not responsible for the unrecoverable risks of accounts receivable but for the loss results from business disputes. Therefore, the Company may derecognize its accounts receivable without recourse:

2018.12.31

Purchaser	Derecognition amount	Factoring line	Advanced amount	Interest rate	Collateral
O-Bank	**$ 2,334**	**16,043**	**-**	-	None

2017.12.31

Purchaser	Derecognition amount	Factoring line	Advanced amount	Interest rate	Collateral
O-Bank	**$ 642**	**15,859**	**-**	-	None

(d) Other receivables

	2018.12.31	2017.12.31
Other receivables	$ 54,170	23,667
Less: Loss allowance	-	-
	$ 54,170	**23,667**

Based on historical experience, the Company expects no credit losses by event of default from the aforementioned other receivables, therefore the expected credit loss rate is 0.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(e) Inventories

	2018.12.31	2017.12.31
Materials	$ 398,780	426,479
Work-in-process	43,329	67,106
Finished goods	190,155	187,678
Inventory in-transit	6,856	4,674
	$ 639,120	**685,937**

As of December 31, 2018 and 2017, the details of operating cost were as follows:

	2018	2017
Cost of goods sold	$ 5,520,156	5,213,113
Loss on disposal of scrap	1,618	963
Losses (gains) on inventory valuation and obsolescence	(6,233)	1,726
Revenue from sales of scraps	(41,079)	(47,943)
	$ 5,474,462	**5,167,859**

As of December 31, 2018 and 2017, the Company's inventories were not pledged as collateral.

Losses on inventory valuation and obsolescence are due to obsolescence or out of use, which results in net realizable value being lower than historical cost. Therefore, it's classified as operating cost.

Gains on recovery of inventory valuation and obsolescence are due to net realizable value of inventories being lower than the historical cost written-off by disposal. Therefore, the net realizable value increases and is recognized as deduction of operating cost.

(f) Investments accounted under equity method

	2018.12.31	2017.12.31
Subsidiaries	$ 11,951,050	9,642,980
Associates	-	-
	$ 11,951,050	**9,642,980**

1.Subsidiaries

Please refer to the consolidated financial statements of the year ended 2017.

2.Associates

The Company's investee company, Licheng Technology (Stock) Company, (formerly ELITE IONERGY CO., Ltd., with an investment of $173,694) closed down at the end of year 2005, with liabilities exceeding its assets. Because the investment value had been impaired, the Company recognized all losses and the book value was offset to zero.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

		Land	Buildings	Machinery	Other equipment	Equipment under installation and construction in progress	Total
Cost:							
Balance at January 1, 2018	$	470,621	673,702	2,520,294	557,008	419,178	4,640,803
Additions		-	-	-	-	154,229	154,229
Disposals		-	(160)	(19,590)	(4,428)	-	(24,178)
Reclassification		-	185,814	154,266	93,747	(433,827)	-
Balance at December 31, 2018	**$**	**470,621**	**859,356**	**2,654,970**	**646,327**	**139,580**	**4,770,854**
Balance at January 1, 2017	$	470,621	649,130	2,210,702	485,416	424,400	4,240,269
Additions		-	-	-	-	440,009	440,009
Disposals		-	(511)	(30,508)	(8,456)	-	(39,475)
Reclassification		-	25,083	340,100	80,048	(445,231)	-
Balance at December 31, 2017	**$**	**470,621**	**673,702**	**2,520,294**	**557,008**	**419,178**	**4,640,803**
Depreciation:							
Balance at January 1, 2018	$	-	323,843	1,796,686	379,246	-	2,499,775
Depreciation for the year		-	26,996	99,048	43,197	-	169,241
Disposals		-	(160)	(19,589)	(4,429)	-	(24,178)
Balance at December 31, 2018	**$**	**-**	**350,679**	**1,876,145**	**418,014**	**-**	**2,644,838**
Balance at January 1, 2017	$	-	302,756	1,745,142	352,757	-	2,400,655
Depreciation for the year		-	21,557	81,632	34,931	-	138,120
Disposals		-	(470)	(30,088)	(8,442)	-	(39,000)
Balance at December 31, 2017	**$**	**-**	**323,843**	**1,796,686**	**379,246**	**-**	**2,499,775**
Carrying amounts:							
At December 31, 2018	**$**	**470,621**	**508,677**	**778,825**	**228,313**	**139,580**	**2,126,016**
At January 1, 2017	**$**	**470,621**	**346,374**	**465,560**	**132,659**	**424,400**	**1,839,614**
At December 31, 2017	**$**	**470,621**	**349,859**	**723,608**	**177,762**	**419,178**	**2,141,028**

As of December 31, 2017, the property, plant and equipment were not pledged as collateral for long-term debt and financing.

As of December 31, 2016, the property, plant and equipment were pledged as collateral for long term debt and financing, please refer to Note (h).

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(h) Short-term borrowings

	2018.12.31	2017.12.31
Unsecured bank loans	$ 517,758	150,325
Unsecured credit	$ 1,053,650	2,018,832
Range of interest rates	1.03%~3.78%	1.81%~2.75%

(i) Short-terms notes payable

	2018.12.31	2017.12.31
Commercial paper payable	$ 200,000	-
Less: Discount	(345)	-
Net amount	$ 199,655	-
Interest rate	1.07%	-

(j) Long-term borrowings

	2018.12.31	2017.12.31
Unsecured bank loans	$ 400,000	-
Less: Current portion	(100,000)	-
Total	$ 300,000	-
Unsecured credit	$ 2,500,000	2,850,000
Range of interest rates	1.13%~1.30%	1.04%~1.44%
Due year	2019~2021	-

For the exposure information of the Company's rate foreign currency and current risk, please refer to Note (6)(v).

(k) Unsecured convertible bonds

	2018.12.31	2017.12.31
Total convertible corporate bonds issued	$ 1,500,000	1,500,000
Cumulative redeemed amount	(86,500)	(111,194)
Cumulative converted amount	(68,600)	(68,600)
Corporate bonds issued balance at year-end	$ 1,344,900	1,320,206
Embedded derivative – call and put options, included in financial liabilities at fair value through profit or loss	$ 11,022	5,869
Equity component – conversion options (included in paid-in capital – stock options)	$ 115,985	115,985

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2018	2017
Profit or loss revalued by fair value of Embedded derivative instruments – call and put rights, included in financial liabilities at fair value through profit or loss	$ (5,153)	152
Interest expense	$ 24,694	15,611

The Company issued the fourth unsecured 5-year convertible bonds which bear no interest on May 16, 2017, with the maturity date on May 16, 2022. The total convertible corporate bonds issued amounted to TWD1,500,000, with an effective interest rate of 1.80%. The Holders have the right to require the Company to redeem their convertible bonds in cash at an amount equal to the principal amount of the Bonds (with interest) at any time during the forty days after May 16, 2020. The conversion price of the convertible bonds were set based on the issued regulation.

1.The date and approach on redemption

Unless the Bonds have been previously redeemed, those repurchased or converted into common stocks will be redeemed at par value on the maturity date in cash.

2.Conversion price and adjustment

The conversion price was NT$121 per share when issued, when the proportion of cash dividend is above 1.5% in market price per share. The price would be adjusted when there are changes in the Company's total ordinary shares or when the Company issues other convertible securities with convertible price being lower than the current market price per share. According to the Company's third unsecured convertible bonds regulations (11), the convertible price has been adjusted from NT$117 per share to NT$111.3 per share because the Company granted stocks on August 16, 2017. The Company will not amend the said clause above.

3.Redemption at the option of the Company

1) At any time during August 17, 2017 (the 91st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity date), the Company may send each holder a "Notice of Redemption" (The record date of redemption is based on the maturity date which is the 30th day following the postal date) and redeems the bonds on maturity date in the following situation:

A.Closing price of the common shares on each trading day in Taipei Exchange within a period of 30 consecutive trading dates, exceeding 30% of the conversion price ;

B.Total amount of outstanding bonds is lower than 10% of offering amount after the Company has been required by the Holders to convert their Bonds.

The Company may mail Notice of Redemption of one-month maturity, which is from the postal date, to the holders and consign to Taipei Exchange for announcing. The Company has to redeem all the outstanding convertible bonds at par value by cash after five operating days and the record date of redemption may not lie between the termination date of conversion of bonds.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2) Redemption Yield:

The Company will redeem convertible bonds at an amount equal to the principal amount of the Bonds at any time during August 17, 2017 (the 31st day following the issuance date) and April 6, 2022 (the 40th day prior to the maturity).

3) The Company may convert the Bonds into common shares at convertible price on the record date of conversion if the Shareholding agency did not receive any response from the holders before the record date of redemption stated in the "Notice of Redemption".

4.Redemption at the option of the holder

The creditors may ask the Company to redeem their holdings at par value on the 40th day prior to the day of issuance for three years. The Company should redeem the convertible bonds five days after record date of call when accepting asks of call.

(l) Refund liabilities

The Details of refund liabilities were as follows:

	2018.12.31	2017.12.31
Refund liabilities-current	**$ 5,973**	**-**

The management estimated the possibility of refund liabilities, historic experience and other a known information and recognized the numbers into the deduction of related products' operating revenue.

(m) Provisions

	Allowance for sales return and discount
Balance at January 1, 2017	$ 18,641
Provisions reversed during the year	(3,523)
Balance at December 31, 2017	**$ 15,118**

The management estimated the possibility of sales return and discount with judgment, historic experience and other a known information and recognized the numbers into the deduction of related products' operating revenue.

(n) Employee benefits

1.Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	2018.12.31	2017.12.31
Present value of defined benefit obligation	$ 124,651	133,415
Fair value of plan assets	(111,935)	(111,786)
Net defined benefit liabilities	**$ 12,716**	**21,629**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

The Company makes defines benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years or service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Pension Supervisory Committee. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the Management and Utilization of Labor Pension Funds regulations.

The Company's Bank of Taiwan pension reserve account balance amounted to $111,935 at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs and the Labor Pension Supervisory Committee.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2018	2017
Defined benefit obligation at January 1	$ 133,415	143,465
Current service costs and interest	2,882	3,308
Remeasurement on the net defined benefit liabilities (assets)		
－Actuarial losses (gains) arising from experience adjustments	(2,822)	(3,938)
－Actuarial losses (gains) arising from changes in financial assumptions	10,702	924
Prior service cost	(6,255)	-
Benefit pay under the plan	(13,271)	(10,344)
Defined benefit obligation at December 31	**$ 124,651**	**133,415**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2018	2017
Fair value of plan assets at January 1	$ 111,786	112,385
Interest income	1,829	1,589
Remeasurement on the net defined benefit liabilities (assets)		
－Return on plan assets (excluding current interest)	2,623	(521)
Contribution paid by the employer	8,968	8,677
Benefit paid	(13,271)	(10,344)
Fair value of plan assets at December 31	**$ 111,935**	**111,786**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2018	2017
Current service costs	$ 777	1,348
Settlement losses	(6,255)	-
Net interest of net defined benefit liabilities	276	372
	$ (5,202)	**1,720**
Operating costs	$ (4,098)	1,342
Selling expenses	(219)	76
Administrative expenses	(588)	205
Research and development expenses	(297)	97
	$ (5,202)	**1,720**

5) Remeasurement on the net defined benefit liabilities recognized in other comprehensive income

The Company' s remeasurement on the net defined benefit liabilities recognized in other comprehensive income as at December 31, 2018 and 2017 were as follows:

	2018	2017
Cumulative amount at January 1	$ 11,125	13,618
Recognized during the period	5,257	(2,493)
Cumulative amount at December 31	**$ 16,382**	**11,125**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions of Present Value of defined benefit obligations:

	2018.12.31	2017.12.31
Discount rate	1.38 %	1.63 %
Future salary increase rate	2.00 %	1.50 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $8,818.

The weighted average lifetime of the defined benefits plan is 15.83 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2018		
Discount rate	(3,750)	3,908
Future salary increasing rate	3,810	(3,677)
December 31, 2017		
Discount rate	(3,781)	3,939
Future salary increasing rate	3,869	(3,733)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017, respectively.

2.Defined contribution plans

The Company set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2018 and 2017, the Company set aside $33,107 and $26,918, respectively, under the pension plan to the Bureau of the Labor Insurance.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(o) Income taxes (profits)

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

1.Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	2018	2017
Current income tax expense:		
Current period	$ 116,503	617,931
Adjustment for prior periods	(15,507)	-
	100,996	617,931
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	459,102	51,145
Movement of tax rate	107,036	-
	566,138	51,145
Income tax expense	**$ 667,134**	**669,076**

Income tax expense (benefit) recognized in other comprehensive income:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses and gains on defined benefit plans	**$ 3,091**	**(424)**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	**$ 56,622**	**22,654**

The reconciliation of income tax and profit before tax was as follows:

	2018	2017
Profit excluding income tax	**$ 2,418,512**	**3,460,033**
Income tax using the Company's domestic tax rate	$ 483,703	588,206
Non-deductible expenses	7,185	3,355
Tax-exempt income	(2,182)	(6,791)
Undistributed earnings additional tax at 10%	86,899	84,306
Adjustment in tax rate	107,036	-
Prior overestimate (underestimate)	(15,507)	-
Total	**$ 667,134**	**669,076**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

For the years ended December 31, 2018 and 2017, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, 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. The relevant amounts are as follow:

	2018.12.31	2017.12.31
Consolidated amount of taxable temporary differences associated with investments in subsidiaries	$ 5,074,438	5,074,438
Amounts are not recognized as deferred tax liabilities	$ 862,654	862,654

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 are as follows:

	Unrealized gain on investment income	Others	Total
Deferred Tax Liabilities:			
Balance at January 1, 2018	$ (606,912)	-	(606,912)
Debited (Credited) in income statement	(560,229)	-	(560,229)
Balance at December 31, 2018	$ (1,167,141)		(1,167,141)
Balance at January 1, 2017	$ (555,874)	(1,068)	(556,942)
Debited (Credited) in income statement	(51,038)	1,068	(49,970)
Balance at December 31, 2017	$ (606,912)	-	(606,912)

	Defined Benefit Plans	Current provisions	Unrealized losses on inventories	Cumulative translation adjustment	Others	Total
Deferred Tax Assets:						
Balance at January 1, 2018	$ 4,988	2,570	4,064	45,553	313	57,488
Debited (Credited) in income statement	(3,994)	(1,376)	(529)	-	(10)	(5,909)
Debited (Credited) in equity	3,091	-	-	-	-	3,091
Exchange differences on translation of foreign operations	-	-	-	56,622	-	56,622
Balance at December 31, 2018	$ 4,085	1,194	3,535	102,175	303	111,292
Balance at January 1, 2017	$ 6,595	3,169	3,770	22,899	-	36,433
Debited (Credited) in income statement	(1,183)	(599)	294	-	313	(1,175)
Debited (Credited) in equity	(424)	-	-	-	-	(424)
Exchange differences on translation of foreign operations	-	-	-	22,654	-	22,654
Balance at December 31, 2017	$ 4,988	2,570	4,064	45,553	313	57,488

3.The Company’s tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(p) Capital and other equity

1. Issuance of common stock

As of December 31, 2018 and 2017, the total value of nominal ordinary shares amounted to $4,000,000. The face value of each share is $10. In total, there were 319,652 in thousands of ordinary shares, respectively, issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017 was as follows:

	Ordinary shares (in thousands of shares)	
	2018	**2017**
Balance at January 1	319,652	318,921
Exercise of employee stock options	-	586
Conversion of convertible bonds	-	145
Balance at December 31	**319,652**	**319,652**

For the years ended December 31, 2018 and 2017, new common shares of stock totaling 145 were issued with denomination from the exercise of employee stock options. The total new issued employee stock were accounted as $3,045, and the capital that rose from the shares had all been retrieved. The registration procedures were completed.

For the years ended December 31, 2017, new common shares of stock totaling 586 were issued with denomination from convertible bonds. The total new issued stock were accounted as $68,600. The registration procedures were completed.

2. Capital surplus

The balance of additional paid-in capital was as follows:

	2018.12.31	**2017.12.31**
Share capital	$ 95,627	95,627
Premium from convertible bonds	412,109	412,109
Convertible option	115,985	115,985
	$ 623,721	**623,721**

Capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

3. Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Taking into account the characteristics of industrial growth and stabilizing the financial structure of the Company, the Company will not distribute dividends when in deficit.

Under the policy of dividend distribution, the Company shall first take into consideration its future development, financial situation and shareholders' rewards, as well as its programs to meet its capital expenditure budget in determining the cash in need. After the aforementioned consideration, the Company will distribute the cash dividends to its shareholders. Cash dividends shall not be more than 20% of the total dividends.

Surplus distributed should be, on principle, 10% to 70% of distributable surplus. Distributable surplus is accounted for as profit, after setting aside reserves, plus, prior-year undistributed earnings. Any remaining profit shall be distributed according to the stockholders' meeting for approval.

1) Legal reserve

10 percent of net income should be set aside as statutory earnings reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve, either by new shares or by cash, of up to 25 percent of the actual share capital.

2) Earnings distribution

The earnings distribution for 2016 and 2015 was decided by the general meeting of shareholders held on June 14, 2017, and June 13, 2016.

The relevant dividend distribution to shareholders is as follows:

	2017		2016	
	Dividend per Share (TWD$)	**Amount**	**Dividend per Share (TWD$)**	**Amount**
Dividends distributed to common shareholders				
Cash	$ 4.80	1,534,332	4.70	1,499,056

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

4. Other equity

	Foreign currency translation differences for foreign operations	Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	Total
Balance at January 1, 2018	$ (237,192)	-	(237,192)
Exchange difference on translation of foreign financial statements	(186,293)	-	(186,293)
Unrealized gain or loss on available-for-sale financial assets	-	(69)	(69)
Balance at December 31, 2018	**$ (423,485)**	**(69)**	**(423,554)**
Balance at January 1, 2017	$ (126,586)	-	(126,586)
Exchange difference on translation of foreign financial statements	(110,606)	-	(110,606)
Balance at December 31, 2017	**$ (237,192)**	**-**	**(237,192)**

(q) Earnings per share

The Company calculated the basic and diluted EPS as follows:

1.Basic earnings per share

The calculation of basic earnings per share at December 31, 2018 and 2017, were based on the profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding, calculated as follows:

1) Profit attributable to ordinary shareholders

	2018	2017
Profit/(loss) attributable to ordinary shareholders of the Company	**$ 1,751,378**	**2,790,957**

2) Weighted-average number of ordinary shares

	2018	2017
Issued ordinary shares at January 1	319,652	318,921
Effect of convertible notes	-	195
Effect of exercise of share options	-	100
Weighted-average number of ordinary shares at December 31	**319,652**	**319,216**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2018 and 2017, were based on profit attributable to ordinary shareholders of the Company and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

		2018	2017
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	$	1,751,378	2,790,957
Convertible preference shares dividends		23,878	12,831
Profit/(loss) attributable to ordinary shareholders of the Company (basic)	$	**1,775,256**	**2,803,788**

2) Weighted-average number of ordinary shares (diluted)

	2018	2017
Weighted-average number of ordinary shares (basic)	319,652	319,216
Effect of convertible bond	12,861	8,352
Effect of employee stock compensation	1,371	1,239
Effect of issuance of employee share options	-	37
Weighted-average number of ordinary shares (diluted) at December 31	**333,884**	**328,844**

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

3.Earnings per share were as follow:

		2018	2017
Basic earnings per share	$	**5.48**	**8.74**
Diluted earnings per share	$	**5.32**	**8.53**

(r) Revenue from contracts with customers

1.Disaggregation of revenue

		2018
Primary geographical markets:		
Taiwan	$	3,915,603
China		1,003,331
Others		1,302,787
	$	**6,221,721**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

		2018
Main prodocts:		
Prepreg	$	2,353,544
Capper clad laminate		2,730,779
Mass lam foundry		993,384
Materials		95,084
Royalty		48,930
	$	6,221,721

For detials on revenue for the year ended December 31, 2018. Please refer to Note 6(s).

(s) Revenue

For the years ended December 31, 2018 and 2017, the details of revenue are as follows:

		Continuing Operations 2017
Sale of goods	$	6,181,352

(t) Rewards of employees, directors and supervisors

The employees mentioned before include the employees in the subsidiaries who meet the specific conditions.

For the years ended December 31, 2018 and 2017, rewards of employees of $75,579 and $108,126 and directors of $25,193 and $36,042, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company’s profit before tax before rewards of employees and directors for the year ended December 31, 2018 and 2017, and using the earnings allocation method which was stated under the Company’s article. These rewards were charged to profit or loss under operating costs or operating expenses for the year ended December 31, 2018 and 2017.

Related information of distributions of remuneration to employees and directors can be accessed from the Market Observation Post System on the website.

There is no difference between the rewards of employees and directors that was decided by the Board of Directors and the financial report’s estimated amounts in 2018 and 2017.

(u) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

		2018	2017
Interest income	$	4,910	2,087

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2. Other gains and losses

The details of other gains and losses were as follows:

	2018	2017
Disposal gain (loss) on property, plant and equipment	$ 50	(331)
Foreign currency exchange gain (loss), net	(1,749)	(10,504)
Financial assets (liabilities) at fair value through profit or loss	(5,153)	2,120
Other profits	316	1,081
Other intests (loss), net	**$ (6,536)**	**(7,634)**

3. Finance costs

The details of finance cost were as follows:

	2018	2017
Interest expense	**$ 30,670**	**34,400**

(v) Financial instruments

1.Credit risk

1) Credit risks exposure

As of December 31, 2018 and 2017, the maximum exposure to credit risk arising from failure of performance of the counter-party and from financial guarantee made by the Company were as follows:

A.The carrying amount of financial assets recognized in the financial statements;

B.Financial guarantee made by the Company amounting to USD68,500, TWD5,000, and USD30,500, TWD4,000, respectively.

2.Liquidity risk

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2018						
Non-derivative financial liabilities						
Convertible bonds	$ 1,344,900	1,431,400	-	-	-	1,431,400
Unsecured bank loans	917,758	925,617	620,990	1,808	202,265	100,554
Short-term notes payable	199,655	200,000	200,000	-	-	-
Accounts payable	1,624,214	1,624,214	1,624,214	-	-	-
	$ 4,086,527	**4,181,231**	**2,445,204**	**1,808**	**202,265**	**1,531,954**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	More than 2 years
Balance at December 31, 2017						
Non-derivative financial liabilities						
Convertible bonds	$ 1,320,206	1,431,400	-	-	-	1,431,400
Unsecured bank loans	150,325	150,608	150,608	-	-	-
Accounts payable	1,552,452	1,552,452	1,552,452	-	-	-
	$ 3,022,983	**3,134,460**	**1,703,060**	**-**	**-**	**1,431,400**

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

3.Currency risk

1) Currency risk exposure

The Company's significant exposure to foreign currency risk was as follows:

	2018.12.31			2017.12.31		
	Foreign currency (thousands of dollars)	**Exchange rate**	**TWD**	**Foreign currency (thousands of dollars)**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 49,010	30.715	1,505,352	50,174	29.760	1,493,176
Financial liabilities						
Monetary items						
USD	43,126	30.715	1,324,629	45,175	29.760	1,344,394

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, bank loans, accounts payable and other payable that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD as at December 31, 2018 and 2017, would have increased or decreased net income by $1,448 and $1,237, respectively. This analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

The foreign exchange gains (losses) of Company monetary items converted into the functional currency amount and converted to parent Company's functional currency Taiwan Dollar exchange rate information were as follows:

	2018		2017	
	Foreign exchange losses	**Average exchange rate**	**Foreign exchange losses**	**Average exchange rate**
TWD	$ (1,749)	-	(10,504)	-

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

4.Interest analysis

The interest rate exposure of the Company's financial assets and liabilities is described in Note (6)(r)3. on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the financial assets and liabilities on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's internal management reported the increases or decreases in the interest rates and the exposure to changes in interest rates of 0.5% is considered by management to be a reasonable change of interest rate.

If the interest rate increases or decreases by 0.5%, the Company's net income will decrease /increase by $3,295 and $67 for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's variable rate borrowing and the financial assets evaluation of risk-free interest rate changes on corporate bonds.

5. Fair value

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	2018.12.31				
		Fair value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 275,297	-	-	-	-
Notes and account receivable	2,279,578	-	-	-	-
Other receivable	54,170	-	-	-	-
Guarantee deposits	1,895	-	-	-	-
Total	**$ 2,610,940**	**-**	**-**	**-**	**-**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

	2018.12.31				
		Fair value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Redemption and repurchase option of bonds	$ 11,022	-	11,022	-	11,022
Financial liabilities measured at amortized cost					
Short-term borrowings	917,758	-	-	-	-
Short-term notes and bill payable	199,655	-	-	-	-
Notes and account payable	1,624,214	-	-	-	-
Other payable	486,872	-	-	-	-
Total bond payable	1,344,900	-	-	-	-
Guarantee deposits receivable	8,087	-	-	-	-
Sub-total	4,581,486	-	-	-	-
Total	**$ 4,592,508**	**-**	**11,022**	**-**	**11,022**

	2017.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 1,687,855	-	-	-	-
Notes and account receivable	2,083,318	-	-	-	-
Other receivable	23,667	-	-	-	-
Guarantee deposits	3,962	-	-	-	-
Total	**$ 3,798,802**	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss					
Redemption and repurchase option of bonds	$ 5,869	-	5,869	-	5,869
Financial liabilities measured at amortized cost					
Short-term borrowings	150,325	-	-	-	-
Account payable	1,552,452	-	-	-	-
Other payable	739,494	-	-	-	-
Convertible bonds	1,320,206	-	-	-	-
Guarantee deposits	11,116	-	-	-	-
sub-total	3,773,593	-	-	-	-
Total	**$ 3,779,462**	**-**	**5,869**	**-**	**5,869**

2) Valuation techniques for financial instruments measured at fair value

A.Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market. The major exchange and the Over-the-Counter of Central Government's bonds is the basis to the fair value of listing equity instruments and liability instruments in active market.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

(w) Financial risk management

1.Overview

The nature and the extent of the Company's risks arising from financial instruments, which include credit risk, liquidity risk and market risk, are discussed below. Also, the Company's objectives, policies and procedures of measuring and managing risks are discussed below.

For more quantitative information about the financial instruments, please refer to the other related notes of the financial statements.

2.Risk management framework

The financial management department, which provides intra-company services, is responsible for coordinating domestic and international financial market operations, as well as monitoring and managing operation-related financial risks through the internal risk report. The internal risk report analyzes risk exposure of the Company through range and depth. The Company uses derivative financial instruments to hedge risks and to alleviate their impacts. Usage of derivative financial instruments is subject to regulations approved of by the Board of Directors. The regulation is a written document pertaining the usage of exchange risk, interest risk, credit risk, derivative and non-derivative financial instruments, as well as the investment of the remaining working capital. The internal auditors review the policy compliance and risk exposure on a regular basis. The Company does not engage in opportunistic operations of financial instruments (including derivative financial instruments). The financial management department reports to The Company Risk management Committee quarterly. The Company Risk Management Committee is an independent organization that is responsible for monitoring risk management and enforcing policies to reduce risk exposure.

3.Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment.

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Company's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the General Manager's office. If customers default, the Company will stop transactions with those customers or trade on a cash basis.

The Company established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss incurred but not yet identified. The collective loss allowance is determined based on historical data on payment statistics for similar financial assets.

2) Bank deposit

The credit risk exposure in the bank deposits and transaction contract of foreign derivation instruments is measured and monitored by the General Manager's office. The Company only deals with financial institutions; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

4.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities over the succeeding 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2018 and 2017, the Company's unused credit line were amounted to $3,553,650 and $4,868,832, respectively.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Risk Management Committee.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company’s entities, primarily the New Taiwan Dollar (TWD), and US Dollar (USD). Besides, the Company uses natural hedging principle to hedge by controlling the net amount of each currency of the Company in accordance with the condition of the exchange rate market. The Company hedges the currency risk with forward foreign currency whose mature date is in a year from report date and currency swap contract.

The interest is denominated in the currency used in the borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily the TWD, and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

2) Interest risk

The Company’s borrowings were on the basis of floating interest rate. The Company is not involved in the situation of changing floating interest rate into fixed rate with interest rate swap agreement. The Company periodically assessed the borrowing rates of the banks and every currency to make provisions for interest-changed rate risk. In addition, the Company creates favorable relationship with banks to get lower financial costs from borrowings in order for it to strengthen its working capital to lower its dependency on bank borrowings, as well as situation of changing floating interest rate and scatter interest-changed rate risk.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company’s expected usage and sales requirements; such contracts are not settled on a net basis.

(x) Capital management

The Company maintains and manages its capital to meet the minimum paid-in capital required by the competent authority, and to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Company may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future. The Company’s debt to equity ratios at the balance sheet date were as follows:

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(y) Investing and financing activities not affecting current cash flow

The Company investing and financing activities which did not affect the current flow in the years ended December 31, 2018 and 2017, were as follow:

			Non-cash changes			
	2018.1.1	Cash flow	Acquisition	Foreign exchange movement	Fair value changes	2018.12.31
Short-term borrowings	$ 150,325	367,433	-	-	-	517,758
Long-term borrowings	-	400,000	-	-	-	400,000
Total liabilities from financing activities	$ **150,325**	**767,433**	-	-	-	**917,758**

(7) Related-Party Transactions

(a) Parent company and ultimate controlling company

The Company is both the parent company and the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
EMC OVERSEAS HOLDING INCORPORATED	The Company and its subsidiaries
Grand Wuhan Incorporated	The Company and its subsidiaries
Grand Zhuhai Incorporated	The Company its sub-subsidiaries
Grand Shanghai Incorporated	The Company its sub-subsidiaries
Grand Zhongshan Incorporated	The Company its sub-subsidiaries
Elite Electronic Material (Kunshan) Co., Ltd.	The Company its sub-subsidiaries
Elite Electronic Material (Zhongshan) Co., Ltd.	The Company its sub-subsidiaries
Elite Electronic Material (Huangshi) Co., Ltd.	The Company its sub-subsidiaries

(c) Significant transactions with related parties

1.Sales

The amounts of significant sales by the Company to related parties were as follows:

	For the years ended December 31,	
	2018	2017
Subsidiaries	$ **951,550**	**331,540**

The selling price for related parties approximated the market price. The credit terms ranged from 90 to 120 days, which approximated those for routine sales transactions.

The amount of royalities receivable from subsidiaries for using specific products is $48,930.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2.Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	For the years ended December 31, 2018	2017
Subsidiaries	$ **66,572**	**129,673**

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from 90 to 120 days, which were no different from the payment terms given by other vendors.

3.Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	2018.12.31	2017.12.31
Accounts receivable	Elite Electronic Material (Zhongshan) Co., Ltd.	$ 292,685	170,147
Accounts receivable	Subsidiaries	196,022	51,699
Other receivables	Subsidiaries	51,202	21,000
		$ **539,909**	**242,846**

Amounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

4.Payables to related parties

Account	Relationship	2018.12.31	2017.12.31
Accounts payable	Subsidaries	$ **9,620**	**43,847**

5.Guarantee

As of December 31, 2018, the Company had provided a guarantee for loans taken out by its subordinates, please refer to Note 13(a) for further explanations.

(d) Key management personal compensation

Key management personnel compensation comprised:

	For the years ended December 31, 2018	2017
Short-term employee benefits	$ 66,072	115,152
Post-employment benefits	2,358	2,491
	$ **68,430**	**117,643**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Assets	Purpose of Pledge	2018.12.31	2017.12.31
Guarantee deposit	Staff dormitory	$ 1,895	3,962

(9) Significant Contingencies and Commitments

(a) Major Commitments and contingencies were as follows:

1.Unused standby letters of credit

	2018.12.31	2017.12.31
Unused standby letters of credit		
TWD	$ 120,856	103,443
USD	4,973	3,406

2.The significant contracts for engineering construction and purchase of properties in order to extend factories and machineries by the Company, were as follows:

	2018.12.31	2017.12.31
Total contract price	$ -	130,476
Unpaid contract price	$ -	13,048

3.The royalties of eco-material technique treatment with Japanese Company H, the paid royalties were as follows:

2018	2017
$ 29,959	42,655

4.As of December 31, 2018 and 2017, the amounts of Performance Letter of Guarantee issued by Mega International Commercial Bank-Zhongli Branch for the purpose of Customs for guaranty of domestic tariff and for guaranty of hiring foreigners to be employed were NT$5,000 and NT$4,000, respectively.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

Categorized as / Nature	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	509,332	167,816	677,148	557,519	255,899	813,418
Labor and health insurance	47,405	13,024	60,429	43,891	13,909	57,800
Pension	18,095	9,810	27,905	22,214	6,424	28,638
Remuneration of directors	-	25,610	25,610	-	36,459	36,459
Others employee benefits	22,026	5,303	27,329	35,998	6,101	42,099
Depreciation	159,111	10,130	169,241	127,715	10,405	138,120
Amortization	175	2,213	2,388	131	1,875	2,006

As of December 31, 2018 and 2017, the Company had 920 and 927 employees. The number of directors who are not concurrently employed is 6 and 5 in December 31, 2018 and 2017.

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2018:

1. Fund financing to other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance ?for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	Elite Electronic Material (Kunshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	Other receivables-related parties	Y	564,939	550,065	245,960	4.35%	2	-	Operating demand	-	-	-	1,190,020	3,570,059
2	Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Electronic Material (Huangshi) Co., Ltd.	Other receivables-related parties	Y	399,591	389,064	-	4.35%	2	-	Operating demand	-	-	-	1,190,020	3,570,059

Note 1: The number is filled as follows:

1. 0 is the Company.
2. Subsidiaries are numbered as 1 sequentially.

Note 2:1. Having dealings with the Company.

2. Those who have the needs in short-term financing.

Note 3:The total maximum financing amount cannot exceed 30% of the Company's net worth in its latest financial statements, while the maximum financing amount for a single company cannot exceed 10% of the Company's net worth in its latest financial statements.

2. Guarantees and endorsements for other parties:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

No. (Note 1)	Name of company	Counter-party		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent Company endorsement/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsement/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Grand Wuhan Incorporated	2	5,950,099	767,875	767,875	-	-	6 %	11,900,197	Y		
0	〃	Grand Shanghai Incorporated	2	5,950,099	411,210	322,508	-	-	3 %	11,900,197	Y		
0	〃	Grand Zhuhai Incorporated	2	5,950,099	274,140	153,575	-	-	1 %	11,900,197	Y		
0	〃	Elite Electronic Material (Zhongshan) Co., Ltd.	2	5,950,099	153,575	153,575	-	-	1 %	11,900,197	Y		Y
0	〃	Elite Electronic Material (Kunshan) Co., Ltd.	2	5,950,099	92,145	92,145	-	-	1 %	11,900,197	Y		Y
0	〃	Elite Electronic Material (Huangshi) Co., Ltd.	2	5,950,099	614,300	614,300	101,360	-	5 %	11,900,197	Y		Y

Note 1: 0 is the Company.

Note 2:1. Entities with business relationship with the Company.

2. A subsidiary in which the Company directly holds more than 50 percent of its voting shares.

3. A investee in which the Company and subsidiary holds more than 50 percent of its voting shares.

4. A parent company in which the Company directly or Subsidiaries indirectly holds more than 50 percent of its voting shares.

Note 3: The total maximum endorsement / guarantee cannot exceed 100% of the Company's net worth in its latest financial statements, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's net worth in its latest financial statements.

3. Information regarding securities held at balance sheet date:

(Expressed in thousands of New Taiwan dollars, unless otherwise specified)

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Note
				Number	Book value	Percentage	Market value	
EMC OVERSEAS HOLDING INCORPORARTED	PROUD STAR INTERNATIIONAL LIMITED	-	Non-current financial assets at fair value through other comprehensive income	500,000	17,291	3.26 %	17,291	

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital : None.

6. Disposition of real estate for which the dollar amount reaches $300 million or 20% or more of paid-in capital: None.

7. Buying/selling products with the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase /Sale	Amount	Percentage of total purchases /sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable)	
Elite Material Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	Investee company on equity method by the Company	Sale	(369,994)	(6.00)%	Depends on subsidiaries' financial condition	-		196,022	9.00 %	
Elite Electronic Material (Kunshan) Co., Ltd.	Elite Material Co., Ltd.	Equity investments using equity method	Purchase	369,994	5.00 %	〃	-		(196,022)	(8.00)%	
Elite Material Co., Ltd.	Elite Electronic Material (Zhongshan) Co., Ltd.	Investee company on equity method by the Company	Sale	(581,556)	(9.00)%	〃	-		292,685	13.00 %	
Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Material Co., Ltd.	Equity investments using equity method	Purchase	581,556	12.00 %	〃	-		(292,685)	(19.00)%	
Elite Electronic Material (Kunshan) Co., Ltd.	Elite Electronic Material (Zhongshan) Co., Ltd.	Actual related party	Sale	(120,871)	(1.00)%	〃	-		102,154	3.00 %	
Elite Electronic Material (Zhongshan) Co., Ltd.	Elite Electronic Material (Kunshan) Co., Ltd.	〃	Purchase	120,871	3.00 %	〃	-		(102,154)	(6.00)%	

8. Accounts receivable from related parties for which the dollar amount reaches $100 million or 20% or more of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover days	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	Elite Electronic Material (Zhongshan) Co., Ltd.	Equity investments under equity method	315,186	2.40	-		212,122	-
The Company	Elite Electronic Material (Kunshan) Co., Ltd.	〃	222,525	2.70	-		183,988	-
Elite Electronic Material (Kunshan) Co., Ltd.	Grand Shanghai Incorporated	Equity investments using equity method	725,320	2.76	-		492,295	-
〃	Elite Electronic Material (Zhongshan) Co., Ltd.	Actual related party	102,154	2.31	-		17,786	-

9. Derivative transactions: None.

(b) Information on investees:

For the years ended December 31, 2018, the following was the information on investees (excluding investees in Mainland China) :

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Name of investor	Name of investee	Location	Major operations	Initial investment (Amount)		Ending balance			Net income (loss) of the investee	Investment income (losses)	Note
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	EMC OVERSEAS HOLDING INCORPORATED	British virgin Islands	Investment business	1,160,487	1,160,487	35,656,950	100.00 %	11,682,620	2,279,298	2,279,298	Subsidiaries
〃	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	173,694	173,694	16,412,918	33.50 %	-	-	-	
〃	Grand Wuhan Incorporated	Cayman Islands	Import / export business and investment business	291,652	-	10,020,000	100.00 %	268,430	(13,663)	(13,663)	Sub-subsidiaries
EMC OVERSEAS HOLDING INCORPORATED	Grand Zhuhai Incorporated	Cayman Islands	Import / export business and investment business	1,038,131	1,038,131	33,798,821	100.00 %	11,648,887	2,279,034	2,279,034	〃
〃	Li Cheng Tech Co., LTD.	Taiwan	Electronics、Telecommunications equipment、Wholesale、Retails、Batteries、Power generation and Distribution machinery manufacturing business	7,311	7,311	250,000	1.53 %	-	-	-	〃
Grand Zhuhai Incorporated	Grand Zhongshan Incorporated	British Virgin Islands	Import / export business and investment business	504,862	504,862	16,437,000	100.00 %	4,759,892	837,996	837,996	〃
〃	Grand Shanghai Incorporated	British virgin Islands	Import / export business and investment business	1,014,564	1,014,564	18,161,515	99.79 %	6,886,631	1,444,383	1,441,329	〃

Note 1:The amounts of book value recognized using the equity method include investment income(losses) and the exchange differences on translation of foreign statements.
Note 2: The amount above is evaluated based on the independent audit report of the investee under equity method .

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan (R.O.C.)	Investment Flows		Accumulated Outflow of Investment from Taiwan	Net income (loss) of the investee	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
"Elite Electronic Material (Kunshan) Co.Ltd."	Copper clad laminate and prepreg business	559,013	(2)	650,816	-	-	650,816	1,447,376	99.79 %	1,444,315	6,911,571	3,364,682
Elite Electronic Material (Zhongshan) Co., Ltd.	〃	620,443	(2)	440,613	-	-	440,613	859,204	100.00 %	859,204	4,772,213	1,626,918
Elite Electronic Material (Huangshi) Co., Ltd.	〃	307,150	(2)	-	291,070	-	291,070	(12,573)	100.00 %	(12,573)	268,928	-

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Approved investment (amount) by Ministry of Economic Affairs Investment Commission	Limitation on investment in Mainland China in accordance with regulations of Ministry of Economic Affairs Investment Commission
1,399,946	2,604,938	7,140,118

Note 1: There are three investment approach of categories:
(1) Direct Investment in Mainland China.
(2) Investment in Mainland China by a third party.
(3) Other approach.

Note 2: The financial statements were audited by the Certified Public Accountants of the Company.

Note 3: The difference between the paid-in capital of Elite Electronic Material (Kunshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,012, which was invested overseas by the subsidiary.

Note 4: The difference between the paid-in capital of Elite Electronic Material (Zhongshan) Co. Ltd. and the investment amount remitted from Taiwan amounted to USD$6,255, which was recognized as capital increase out of earnings.

Note 5: The difference between the paid-in capital and investment amount remitted from Taiwan amounted to USD$110, which was invested overseas by the subsidiary.

Note 6: The items in the balance sheet and those in the income statements were translated at the exchange rate of $30.7150 and $30.1192, respectively, for the years ended December 31, 2018.

3. Significant transactions：

Please refer to the related disclosures above captioned as “Related information on material transaction items” for direct or indirect significant transactions between the Company and its investees in Mainland China for the years ended December 31, 2018. (The transactions were eliminated in the consolidated financial statements.)

(14) Segment Information

Please refer to the consolidated financial statements of the year ended 2018.

ELITE MATERIAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Cash on hand	$ 532
Saving accounts	Check account deposits	118
	Saving accounts	168,209
	Foreign deposits(USD1,866 Thousands of Dollars、CNY27 Thousands of Dollars)	57,438
	Time deposits	49,000
	Sub total	274,765
Total		**$ 275,297**

STATEMENT OF NOTES RELEIVABLES

Client name	Description	Amount	Note
A Company	Current portion	$ 98,676	
B Company	〃	58,055	
C Company	〃	39,990	
D Company	〃	25,057	
Others	〃	12,743	Client included in others does not exceed 5% of the account balance.
Less: Loss allowance		(254)	
Total		**$ 234,267**	

ELITE MATERIAL CO., LTD.

STATEMENT OF ACCOUNT RECEIVABLES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Client name	Description	Amount	Note
Related-parties:			
Elite Electronic Material (Kunshan) Co., Ltd.		$ 196,022	
Elite Electronic Material (Zhongshan) Co., Ltd.		292,685	
Sub total		488,707	
Non-related-parties:			
E Company		298,664	
F Company		211,941	
G Company		148,966	
H Company		100,589	
Others		797,487	Client included in others does not exceed 5% of the account balance.
Sub total		1,557,647	
Total		2,046,354	
Less: Loss allowance		(1,043)	
Accounts receivable, net		**$ 2,045,311**	

ELITE MATERIAL CO., LTD.

STATEMENTS OF INVENTORY

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net Realizable Value	Note
Materials	$ 388,620		
Less: Loss allowance	(9,793)		
Sub total	378,827	**387,049**	
Supplies	19,953	**19,953**	
Work in progress	44,795		
Less: Loss allowance	(1,466)		
Sub total	43,329	**44,795**	
Finished goods	196,568		
Less: Loss allowance	(6,413)		
Sub total	190,155	**194,865**	
Inventory in-transit	6,856	**6,856**	

ELITE MATERIAL CO., LTD.

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Net Value			
Investee Company	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Proportion of shareholding	Amount	Unit price	Total price	Pledged as collateral	Note
EMC OVERSEAS HOLDING INCORPORATED	35,657	$ 9,642,980	-	2,039,640	-	-	35,657	100.00 %	11,682,620	-	11,694,108	No	
Licheng Technology (Stock) Company	16,413	-	-	-	-	-	16,413	33.50 %	-	-	-	No	
Grand Wuhan Incorporated	-	-	10,020	291,652	-	23,222	10,020	100.00 %	268,430	-	268,430		
		$ 9,642,980		2,331,292		23,222			11,951,050		11,962,538		

ELITE MATERIAL CO., LTD.

STATEMENT OF SHORT-TERM LOANS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Type of loans	Description	Ending Balance	Contract Period	Interest Rate	Loan Commitments	Collaterals or Pledged Assets	Note
Short-term loans	Financial institution	$ **517,758**	107.09.26~108.04.01	1.03%~3.78%	2,100,010	Guarantee Notes	

ELITE MATERIAL CO., LTD.

STATEMENT OF SHORT-TERMS NOTE PAYABLES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Guarantees or acceptances institution	Contract Period	Interest Rate	Amount: Issue Amount	Amount: Discount commercial payable	Amount: Balance Amount	Note
Commercial paper	Mega Bills Finance CO., LTD	107.12.25~ 108.03.25	1.07%	$ 100,000	(117)	99,823	paper
〃	International Bills Finance CO., LTD	107.12.25~ 108.03.25	1.07%	100,000	(168)	99,832	〃
				$ 200,000	(285)	199,655	

STATEMENT OF ACCOUNT PAYABLES

Suppliers	Description	Amount	Note
related-parties:			
Elite Electronic Material (Kunshan) Co., Ltd.		$ 5,125	
Elite Electronic Material (Zhongshan) Co., Ltd.		4,495	
Sub total		9,620	
Non-related-parties:			
A Company		174,343	
B Company		174,217	
C Company		144,641	
D Company		129,555	
E Company		124,785	
F Company		95,486	
Others		771,567	Client included in others does not exceed 5% of the account balance.
Sub total		1,614,594	
Total		$ 1,624,214	

ELITE MATERIAL CO., LTD.

STATEMENT OF OTHER PAYABLES

December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	
Other payables	Payables for equipment	$	34,268
	Payroll payables and bonuses payable		165,732
	Work in progress-outsourced payable		22,006
	Employees compensations payable		75,579
	Directors' compensations payable		25,193
	Pension expenses payable		16,636
	Other expenses payable		147,458
Total		**$**	**486,872**

ELITE MATERIAL CO., LTD.

STATEMENT OF LONG-TERM LOANS

December 31, 2018

(In Thousands of New Taiwan Dollars)

Creditor	Description	Loan Amount	Contract Period	Interest	Collaterals or Pledged Assets	Note
A Bank	Financial institution	$ 100,000	2018.9.26~2020.9.26	1.30 %		
B Bank	Financial institution	100,000	2018.9.26~2020.3.22	1.30 %		
C Bank	Financial institution	100,000	2018.10.1~2021.6.26	1.14 %		
D Bank	Financial institution	100,000	2018.9.26~2019.3.25	1.19 %		
Sub total		400,000				
Less: Long-term borrowings, current portion		(100,000)				
Long-term loans		**$ 300,000**				

ELITE MATERIAL CO., LTD.

STATEMENT OF NET REVENUE

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Capper clad laminate	6,380,612	$ 2,730,779	
Prepreg	22,081,348	2,353,544	
Mass lam foundry	5,414,043	993,384	
Materials	114,737	95,084	
Royalty		48,930	
		$ 6,221,721	

ELITE MATERIAL CO., LTD.

STATEMENT OF OPERATING COSTS

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount: Sub total	Amount: Total
Materials, beginning of the year	$ 418,446	
Plus: Purchases	4,011,764	
Less: Material sold	(84,796)	
Materials, end of the year	(388,620)	
Transferred to manufacturing expenses	(61,367)	
Transferred to operating expenses	(21,764)	
Inventory scraps	(370)	
Direct materials		3,873,293
Direct labor		428,459
Manufacturing expenses		1,140,680
Total Manufacturing costs		5,442,432
Plus: Work-in-process, beginning of the year	75,440	
Purchased work-in-process	784	
Less: Work-in-process, end of the year	(44,795)	
Transferred to manufacturing expenses	(15,731)	
Transferred to operating expenses	(63,135)	(47,437)
Cost of finished goods		5,394,995
Plus: Finished goods, beginning of the year	194,687	
Purchased finished goods	74,174	
Less: Finished goods, end of the year	(196,568)	
Transferred to manufacturing expenses	(2,129)	
Transferred to operating expenses	(21,695)	
Inventory in-transit	(6,856)	
Inventory scraps	(1,248)	40,365
		5,435,360
Cost of goods sold－Material sold		84,796
Loss on disposal of scrap		1,618
Losses (gains) on inventory valuation and obsolescence		(6,233)
Revenue from sales of scraps		(41,079)
Costs of sales		**$ 5,474,462**

ELITE MATERIAL CO., LTD.

STATEMENT OF SELLING EXPENSES

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Payroll expenses		$ 26,323	
Shipping expenses		42,032	
Administrative expenses		18,448	
Commission expenses		44,048	
Royalty		29,959	
Export expenses		16,456	
Other expenses		11,655	Client included in others does not exceed 5% of the account balance.
Total		**$ 188,921**	

STATEMENT OF ADMINISTRATIVE EXPENSES

Item	Description	Amount	Note
Payroll expenses		$ 104,091	
Directors' compensations		25,193	
Other expenses		84,871	Client included in others does not exceed 5% of the account balance.
Total		**$ 214,155**	

ELITE MATERIAL CO., LTD.

STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

For the Year Ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Research and development expenses		$ 90,015	
Payroll expenses		37,402	
Other expenses		25,330	Client included in others does not exceed 5% of the account balance.
Total		**$ 152,747**	