TXC Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
TXC Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter

Inventory of the Company as of December 31, 2018 was NT$997,780 thousands, accounted for 8.3% of the total assets in the financial statements. The valuation of inventory is subjected to fluctuation of market demand and technology changing rapidly. It may result in the impairment of inventory. The management determines the inventory book value and the allowance for inventories at lower of cost or net realize value in accordance with IAS 2 "Inventory". Since the value of inventory is subject to management's judgement and significant in the financial statements, the inventory valuation is identified as a key audit matter.

Refer to Notes 4, 5 and 15 for a summary of the significant accounting policies and refer to Note 15 for the amount of the allowance for inventories.

Our key audit procedures performed in respects of the above area included the following:

1. Tested the net realized value of inventories on the balance sheet date. Sampled testing the price on the latest purchase order and sales order to verify whether the net realized value of inventories is reasonable.

2. Verified the accuracy of the inventory aging report by testing the inventory's aging details. Obtained the list of inferior goods and spoilage to understand the slow moving inventory and evaluate whether the impairment for inventories is appropriate.

3. Performing physical count, in order to assess the appropriateness regarding write-downs of the 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yi Hui Lin. and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2019

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

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

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

TXC CORPORATION

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 557,442	5	$ 798,761	6
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	86	-	-	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	39,657	-
Held-to-maturity financial assets - current (Notes 4, 5 and 11)	-	-	45,680	1
Financial assets at amortized cost - current (Note 9)	68,946	1	-	-
Notes receivable (Notes 4, 5 and 14)	1,293	-	1,083	-
Trade receivables (Notes 4, 5 and 14)	2,121,827	18	2,072,532	16
Trade receivables from related parties (Notes 4, 5, 14 and 30)	110,001	1	69,939	1
Other receivables (Notes 4 and 14)	17,784	-	14,425	-
Other receivables from related parties (Notes 4 and 30)	6,458	-	19,782	-
Current tax assets (Note 25)	5,245	-	-	-
Inventories (Notes 4 and 15)	997,780	8	956,153	8
Debt investments with no active market - current (Note 13)	-	-	39,200	-
Other current assets	9,352	-	11,721	-
Total current assets	3,896,214	33	4,068,933	32
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	30,975	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	330,925	3	-	-
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	512,967	4
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	37,322	-
Investments accounted for using equity method (Notes 4 and 16)	5,604,216	47	5,786,886	46
Property, plant and equipment (Notes 4 and 17)	1,894,487	16	2,109,112	17
Investment properties (Notes 4 and 18)	115,474	1	137,132	1
Other intangible assets (Note 4)	170	-	543	-
Deferred tax assets (Notes 4, 5 and 25)	28,654	-	42,271	-
Prepayment for equipment	50,827	-	6,940	-
Refundable deposits	1,008	-	2,728	-
Total non-current assets	8,056,736	67	8,635,901	68
TOTAL	$ 11,952,950	100	$ 12,704,834	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 19)	$ -	-	$ 549	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,265	-
Notes payable	-	-	276	-
Trade payables	577,266	5	428,413	3
Trade payables to related parties (Note 30)	635,993	5	702,531	6
Other payables (Note 22)	354,404	3	395,778	3
Other payables to related parties (Note 30)	3,221	-	2,974	-
Current tax liabilities (Notes 4 and 25)	-	-	23,239	-
Current portion of long-term borrowings and bonds payable (Note 19)	46,875	1	62,500	1
Other current liabilities	8,486	-	10,984	-
Total current liabilities	1,626,245	14	1,628,509	13
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	1,350,000	11	1,696,875	13
Deferred tax liabilities (Notes 4 and 25)	145,490	1	182,393	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	68,033	1	62,024	1
Guarantee deposits received	12,342	-	12,334	-
Total non-current liabilities	1,575,865	13	1,953,626	15
Total liabilities	3,202,110	27	3,582,135	28
EQUITY (Note 22)				
Share capital				
Ordinary shares	3,097,570	26	3,097,570	24
Capital surplus	1,665,116	14	1,665,224	13
Retained earnings				
Legal reserve	1,349,083	11	1,252,818	10
Special reserve	222,793	2	222,793	2
Unappropriated earnings	2,671,184	22	2,767,383	22
Total retained earnings	4,243,060	35	4,242,994	34
Other equity				
Exchange differences on translating foreign operations	(359,923)	(3)	(264,137)	(2)
Unrealized gain on Financial assets at fair value through other comprehensive income	105,017	1	-	-
Unrealized gain or loss on available-for-sale financial assets	-	-	381,048	3
Total other equity	(254,906)	(2)	116,911	1
Total equity	8,750,840	73	9,122,699	72
TOTAL	$ 11,952,950	100	$ 12,704,834	100

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

TXC CORPORATION

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 23)				
Sales	$ 6,657,254	101	$ 7,158,878	101
Less: Sales returns	17,427	-	20,397	-
Less: Sales allowances	82,921	1	83,517	1
Net operating revenue	6,556,906	100	7,054,964	100
COST OF GOODS SOLD (Notes 15 and 24)	5,542,656	84	5,800,259	82
GROSS PROFIT	1,014,250	16	1,254,705	18
UNREALIZED INTER-COMPANY GAIN	(1,064)	-	(2,634)	-
REALIZED GAIN ON INTER AFFILIATE ACCOUNTS	2,634	-	4,718	-
REALIZED GROSS PROFIT	1,015,820	16	1,256,789	18
OPERATING EXPENSES (Notes 4 and 24)				
Selling and marketing expenses	245,375	4	283,204	4
General and administrative expenses	119,397	2	152,821	2
Research and development expenses	327,119	5	367,948	5
Expected credit loss reversed on trade receivables	(513)	-	-	-
Total operating expenses	691,378	11	803,973	11
PROFIT FROM OPERATIONS	324,442	5	452,816	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	54,715	1	49,977	1
Other gains and losses (Note 24)	6,580	-	176,895	2
Finance costs (Notes 4 and 24)	(12,443)	-	(15,267)	-
Share of profit of associates and joint ventures	313,593	5	361,249	5
Total non-operating income and expenses	362,445	6	572,854	8
PROFIT BEFORE INCOME TAX	686,887	11	1,025,670	15
INCOME TAX EXPENSE (Note 25)	42,537	1	63,015	1
NET PROFIT FOR THE YEAR	644,350	10	962,655	14

(Continued)

TXC CORPORATION

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (10,620)	-	$ (15,255)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(146,774)	(2)	-	-
Share of the other comprehensive income of associates accounted for using the equity method	6,424	-	(187)	-
	(150,970)	(2)	(15,442)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(94,043)	(2)	(101,905)	(2)
Share of the other comprehensive income of associates accounted for using the equity method	(1,743)	-	(944)	-
Unrealized loss on available-for-sale financial assets	-	-	(573,997)	(8)
	(95,786)	(2)	(676,846)	(10)
Other comprehensive (loss) income for the year, net of income tax	(246,756)	(4)	(692,288)	(10)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ 397,594	6	$ 270,367	4
EARNINGS PER SHARE (Note 26)				
From continuing and discontinued operations				
Basic	$ 2.08		$ 3.11	
Diluted	$ 2.06		$ 3.07	

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

TXC CORPORATION

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

				Retained Earnings			Others			
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2017	309,757	$ 3,097,570	$ 1,665,224	$ 1,151,202	$ 222,793	$ 2,789,106	$ (161,346)	$ -	$ 955,103	$ 9,719,652
Appropriation of 2016 earnings										
Cash dividends distributed by the Company	-	-	-	-	-	(867,320)	-	-	-	(867,320)
Legal reserve	-	-	-	101,616	-	(101,616)	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(15,442)	(102,791)	-	(574,055)	(692,288)
Net profit for the year ended December 31, 2017	-	-	-	-	-	962,655	-	-	-	962,655
Total comprehensive loss for the year ended December 31, 2017	-	-	-	-	-	947,213	(102,791)	-	(574,055)	270,367
BALANCE AT DECEMBER 31, 2017	309,757	3,097,570	1,665,224	1,252,818	222,793	2,767,383	(264,137)	-	381,048	9,122,699
Effect of retrospective application and retrospective restatements	-	-	-	-	-	102,957	-	283,139	(381,048)	5,048
BALANCE AT JANUARY 1, 2018 AS RESTATED	309,757	3,097,570	1,665,224	1,252,818	222,793	2,870,340	(264,137)	283,139	-	9,127,747
Appropriation of 2017 earnings										
Legal reserve	-	-	-	96,265	-	(96,265)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	-	(774,393)
Net profit for the for the year ended December 31, 2018	-	-	-	-	-	644,350	-	-	-	644,350
Other comprehensive loss for the for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(10,792)	(95,786)	(140,178)	-	(246,756)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	633,558	(95,786)	(140,178)	-	397,594
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	37,944	-	(37,944)	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	(108)	-	-	-	-	-	-	(108)
BALANCE AT DECEMBER 31, 2018	309,757	$ 3,097,570	$ 1,665,116	$ 1,349,083	$ 222,793	$ 2,671,184	$ (359,923)	$ 105,017	$ -	$ 8,750,840

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

TXC CORPORATION

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 686,887	$ 1,025,670
Adjustments for:		
Depreciation expenses	294,404	367,396
Depreciation expenses of investment properties	21,658	22,255
Amortization expenses	558	1,255
Expected credit loss reversed on trade receivables	(513)	-
Impairment loss recognized on accounts receivables	-	(2,223)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(1,414)	306
Finance costs	12,443	15,267
Interest income	(8,103)	(7,217)
Dividend income	(1,527)	(2,288)
Share of profit of associates and joint ventures	(313,593)	(361,249)
Gain on disposal of property, plant and equipment	(1,232)	(66)
Gain on disposal of investment property	-	(50,061)
Gain on disposal of investment	-	(228,666)
Impairment loss recognized on financial assets	-	9,971
Write-down of inventories	4,995	-
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	1,064	2,634
Realized gain on the transactions with subsidiaries, associates and joint ventures	(2,634)	(4,718)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	10,010	-
Notes receivable	(211)	1,281
Trade receivables	(48,753)	351,689
Trade receivables from related parties	(40,090)	25,480
Other receivables	(9,217)	17,074
Other receivables from related parties	13,324	(18,765)
Inventories	(46,622)	(28,808)
Other current assets	2,369	47,073
Decrease in financial liabilities mandatorily classified as at fair value through profit or loss	(1,265)	-
Financial liabilities held or trading	-	(13,445)
Notes payable	(276)	(480)
Trade payables	148,853	(176,762)
Trade payables to related parties	(66,538)	5,278
Other payables	(42,186)	(184,867)
Other payables to related parties	247	2,711

(Continued)

TXC CORPORATION

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

	2018	2017
Other current liabilities	$ (2,498)	$ (14,407)
Defined benefit liabilities - non-current	(4,611)	(9,542)
Cash generated from operations	605,529	791,776
Interest paid	(12,931)	(14,828)
Income taxes paid	(64,010)	(143,870)
Net cash generated from operating activities	528,588	633,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	53,886	-
Purchase of financial assets at amortized cost	(71,004)	-
Proceeds on sale of financial assets at amortized co	89,480	-
Increase in other financial assets	-	(39,200)
Proceeds from sale of available-for-sale financial assets	-	214,181
Proceeds on sale of financial assets at fair value through profit or loss	-	110,911
Purchase of financial assets measured at cost	-	(1,772)
Proceeds from sale of financial assets measured at cost	-	87,237
Acquisition of associates	(234,302)	(26,540)
Net cash outflow on acquisition of associates(Note 16)	(1,746)	-
Net cash inflow on disposal of associates (Note 16)	641,205	-
Payments for property, plant and equipment	(104,393)	(340,765)
Proceeds from disposal of property, plant and equipment	25,846	1,272
Proceeds from disposal of investment property	-	56,674
Decrease in refundable deposits	1,720	11
Payments for intangible assets	(185)	-
Increase in prepayment for equipment	(43,887)	-
Interest received	8,716	7,295
Dividend received from associates	3,205	66,487
Other dividends received	1,527	2,288
Net cash generated from investing activities	370,068	138,079
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(549)	(19,731)
Proceeds from long-term borrowings	400,000	500,000
Repayments of long-term borrowings	(762,500)	(512,500)
Proceeds from guarantee deposits received	8	-
Refunds of guarantee deposits received	-	(13,973)
Dividends paid to owners of the Company	(774,393)	(867,320)
Net cash used in financing activities	(1,137,434)	(913,524)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,541)	4,534

(Continued)

TXC CORPORATION

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

	2018	2017
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (241,319)	$ (137,833)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	798,761	936,594
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 557,442	$ 798,761

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

1. ORGANIZATION AND OPERATIONS

TXC Corporation (TXC) was incorporated on December 28, 1983 under the Company Law and other related regulations of the Republic of China (ROC).

TXC specializes in producing high quality Quartz Unite Crystal, Automotive Crystal, Crystal Oscillator (CXO), and Timing Module (TM) as well as develops a variety of sensors by core technology to satisfy the market demand. Sensors are applied to various applications including mobile communication, wearable device, Internet of Things and vehicle electronics, etc.

On August 26, 2002, TXC's shares began to be traded on the Taiwan Stock Exchange.

The functional currency of the Company is New Taiwan dollars. The financial statements are presented in New Taiwan dollars.

In order to ensure investors' rights and interests, the Company had applied to Taiwan Corporate Governance Association for corporate governance assessment certification. The Company has acquired (CG6005 general version of corporate governance assessment and authentication) and (CG6008 advanced version of corporate governance assessment and authentication), on March 23, 2011 and June 27, 2013, respectively. The Company will continue to strengthen corporate governance functions in order to work with international standards and to protect public interests.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on March 22, 2019.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Equity securities	Available-for-sale - non-current	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	$ 512,967	$ 512,967	a)
	Financial assets measured at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	37,322	42,370	a)
Mutual funds	Available-for-sale - current	FVTPL - current	39,657	39,657	b)
Debt securities	Held-to-maturity financial assets - current	Amortized cost	45,680	45,680	c)
Time deposits with original maturity of more than 3 months	Debt investments with no active markets	Amortized cost	39,200	39,200	c)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI	$ -	$ 550,289	$ 5,048	$ 555,337	$ 103,300	$ (98,252)	a)
Equity instruments							
Add: Reclassification from available-for-sale - non-current (IAS 39)	512,967	(512,967)	-	-	-	-	a)
Add: Reclassification from financial assets measured at cost (IAS 39)	37,322	(37,322)	-	-	-	-	a)
	550,289	-	5,048	555,337	103,300	(98,252)	
FVTPL	-	39,657	-	39,657	(343)	343	a)
Add: Reclassification from available-for-sale - current (IAS 39)	39,657	(39,657)	-	-	-	-	b)
	39,657	-	-	39,657	(343)	343	
Amortized cost	-	84,880	-	84,880	-	-	c)
Add: Reclassification from held-to-maturity - current (IAS 39)	45,680	(45,680)	-	-	-	-	c)
Add: Reclassification from investments in debt security with no active market (IAS 39)	39,200	(39,200)	-	-	-	-	(c)
	84,880	-	-	84,880	-	-	
	$ 674,826	$ -	$ 5,048	$ 679,874	$ 102,957	$ (97,909)	

a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $381,048 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $5,048 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $103,300 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $103,300 thousand in retained earnings on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $343 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an decrease of $343 thousand in retained earnings on January 1, 2018.

c) Debt investments previously classified as held-to-maturity financial assets and debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

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

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

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Company as lessee

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

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets - building	$ -	$ 1,397	$ 1,397
Lease liabilities - current	-	1,397	1,397
Lease liabilities - non-current	-	-	-

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Company’s net investment in an associate or joint venture.

4) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

6) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company will apply the above amendments prospectively.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

   The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Definition of a Business”

   The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Foreign Currencies

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests of the subsidiary and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Inventories

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

Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

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

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

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

Investments in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

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

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

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

Property, Plant and Equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period.

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

<u>2018</u>

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

ii. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Fair value is determined in the manner described in Note 29.

b) Held-to-maturity investments

Commercial paper, which is above specific credit ratings and the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

c) Available-for-sale financial assets

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

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

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

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

d) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market, and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2) Impairment of financial assets

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

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

<u>2017</u>

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

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situations.

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

Revenue Recognition

<u>2018</u>

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

- Revenue from the sale of goods

  Revenue from the sale of goods comes from sales of crystals frequency control devices and sensors. Sales of crystals frequency control devices and sensors are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

a. Sale of goods

   Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

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

   3) The amount of revenue can be measured reliably;

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

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

   The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

   Income from properties developed for sale is recognized when construction is complete, rewards of ownership of the properties are transferred to buyers, and collectability of the related receivables is reasonably assured. Deposits received from sales of properties and installment payments are carried in the balance sheets under current liabilities.

b. Dividend and interest income

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

b. The Company as lessee

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Taxation

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

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

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

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investment in subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

Write-down of Inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 1,116	$ 682
Checking accounts and demand deposits	556,326	583,431
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	-	119,648
Repurchase agreements collateralized by bonds	-	95,000
	$ 557,442	$ 798,761

The market rate intervals of cash in bank and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank balance	-	0.6%-1.9%
Repurchase agreements collateralized by bonds	-	0.34%-0.36%

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts (a)	$ 10	$ -
Exchange contracts (a)	76	-
	$ 86	$ -
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	$ 30,975	$ -
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (b)	$ -	$ 323
Exchange contracts(b)	-	942
	$ -	$ 1,265

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2018			
Knock-out forward	USD/JPY	2019.01.15	USD1,000/JPY114,000
Knock-out forward	USD/NTD	2019.01.10-2019.02.20	USD9,000/NTD279,020
Foreign exchange forward contracts	USD/NTD	2019.01.10-2019.01.24	USD6,000/NTD186,950
Exchange contracts	USD/NTD	2019.01.07-2019.02.20	USD10,000/NTD308,227
December 31, 2017			
Buy	USD/JPY	2018.01.04	USD1,000/JPY112,980
Knock-out forward	USD/JPY	2018.02.07-2018.03.12	USD4,500/JPY513,225
Foreign exchange forward contracts	USD/NTD	2018.01.09-2018.02.23	USD4,000/NTD120,450
Foreign exchange forward contracts	USD/JPY	2018.01.31	USD2,000/JPY226,700
Exchange contracts	USD/NTD	2018.01.08-2018.02.23	USD4,000/NTD120,199

The Company entered into foreign exchange forward contracts during the years ended December 31, 2018 and 2017 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Investments in equity instruments at FVTOCI	$ 330,925

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted shares	
Win Win Precision Technology Company Limited	$ 14,256
Marson Technology Company Limited.	4,773
UPI Semiconductor Corp.	61,198
	80,227
Foreign investments	
Listed shares	
Guandong Failong Crystal Technology Company Limited	250,698
	$ 330,925

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and measured at cost under IAS 39. Refer to Note 3, Note 10 and Note 12 relating to their reclassification and comparative information for 2017.

In June and December 2018, the Company sold its 1,402 thousand shares in Guandong Failong Crystal Technology Company Limited in order to manage concentration risk. The sold shares had a fair value of $53,886 thousand and the Company transferred a gain of $37,944 thousand from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Pledge deposits (a)	$ 28,591
Foreign investments	
Debt investments - Westpac Banking Corp.(b)	40,355
	$ 68,946

a. Financial assets at amortized cost pledged as collateral for bank borrowings is set out in Note 31.

b. In May 23, 2018, the Company bought one-year corporate bonds issued by Westpac Banking Corporation at value of RMB9,116 thousand with a coupon rate of 4.35%, an effective interest rate of 3.60% and a maturity date of March 29, 2019. The bonds were classified as held to maturity financial assets under IAS 39. The bonds were classified as held-to-maturity financial assets under IAS 39. Refer to Note 3 and Note 11 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic investments	
Mutual funds	$ 39,657
Non-current	
Domestic investments	
Listed shares (a)	$ 21,498
Foreign investments	
Listed shares (b)	491,469
	$ 512,967

The Company disposed of 2,000 thousand shares of Guandong Failong Crystal Technology Company's stock in the year of 2017, which generated a disposal investment gain of $181,773 thousand.

11. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Domestic investments	
Corporate bonds - Cayman Ton Yi	$ 45,680

In February 2015, the Company bought a unsecured 3-year corporate bonds issued by Cayman Ton Yi with a coupon rate and an effective interest rate of 4.2%, at a par value of RMB10,000 thousand and a maturity date of February 2018. The redemption price was $48,401 thousand.

12. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 37,322
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 37,322

The Company has assessed the recoverable amount of the financial assets measured at cost and recognized an impairment loss of $9,971 thousand during the period of year ended December 31, 2017.

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

13. OTHER FINANCIAL ASSETS

	December 31, 2017
Current	
Time deposits with original maturity more than 3 months	$ 39,200

The market interest rates of the time deposits with original maturity more than 3 months were 0.77%-0.78% per annum as of December 31, 2017.

14. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable		
At amortized cost		
Gross carrying amount	$ 1,299	$ 1,089
Less: Allowance for impairment loss	(6)	(6)
	$ 1,293	$ 1,083
Notes receivable - operating	$ 1,293	$ 1,083
Trade receivables		
At amortized cost		
Gross carrying amount	$ 2,241,881	$ 2,153,037
Less: Allowance for impairment loss	(10,053)	(10,566)
	$ 2,231,828	$ 2,142,471

(Continued)

	December 31	
	2018	2017
Other receivables		
Income tax refund receivable	$ 16,306	$ 12,238
Others	1,478	2,187
	$ 17,784	$ 14,425

(Concluded)

In 2018

The average credit period of sales of goods was 60 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due	31 to 90 Days	91 to 150 Days	151 to 180 Days	Over 180 Days	Total
Gross carrying amount	$ 2,242,237	$ 943	$ -	$ -	$ -	$ 2,243,180
Loss allowance (Lifetime ECL)	(10,050)	(9)	-	-	-	(10,059)
Amortized cost	$ 2,232,187	$ 934	$ -	$ -	$ -	$ 2,233,121

The expected credit loss rate for each above range of the Company is not more than 1% within and within 90 days of the overdue period; 5% or less within the overdue period from 91 to 180 days; and 5%-100% when the overdue period exceeds 180 days.

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

	December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 10,572
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	10,572
Less: Impairment losses reversed	(513)
Balance at December 31, 2018	$ 10,059

In 2017

The Company applied the same credit policy in 2018 and 2017. Historical experience shows that the Company recognized an allowance in accordance with the proportion of trade receivables of each customers, not the aging schedule.

The aging of receivables was as follows:

	December 31, 2017
31-60 days	$ 235
61-90 days	-
91-365 days	1,431
	$ 1,666

The above aging schedule was based on the past due date from end of credit term.

The Movements of the Allowance for Doubtful Trade Receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 12,783	$ 12,783
Less: Impairment losses reversed on receivables	-	(2,217)	(2,217)
Balance at December 31, 2017	$ -	$ 10,566	$ 10,566

The movements of the allowance for doubtful notes receivable:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 12	$ 12
Less: Impairment losses reversed	-	(6)	(6)
Balance at December 31, 2017	$ -	$ 6	$ 6

15. INVENTORIES

	December 31 2018	December 31 2017
Finished goods	$ 249,927	$ 255,873
Work in process	173,982	208,445
Raw materials	197,888	206,240
Supplies and spare parts	66,402	46,169
Merchandise	307,972	221,866
Inventory in transit	1,609	17,560
	$ 997,780	$ 956,153

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $5,542,656 thousand and $5,800,259 thousand, respectively. The costs of goods sold inventory write-downs of $4,995 thousand in the years ended December 31, 2018.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2018	December 31 2017
Investments in subsidiaries	$ 5,266,831	$ 5,690,697
Investments in associates	337,385	96,189
	$ 5,604,216	$ 5,786,886

Investments in Subsidiaries

	December 31 2018	December 31 2017
Unlisted companies		
Taiwan Crystal Technology International Ltd.	$ 5,128,270	$ 4,919,872
TXC Technology Inc.	15,572	14,407
TXC Japan Corporation	27,806	21,715
Taiwan Crystal Technology (HK) Limited (a)	93,053	399,190
TXC EUROPE GMBH	2,130	-
TXC Optec Corporation (b)	-	335,513
	$ 5,266,831	$ 5,690,697

a. On July 2018 Taiwan Crystal Technology (HK) Limited was determined to have capital reduction and share return $306,500 thousand in the shareholders meeting.

b. TXC Optec Corporation was resolved to liquidate in the shareholders meeting on August 24, 2017 receiving $334,705 thousand of share returns on January 2018. And completed the liquidation on April 9, 2018.

The proportion of the Company’s ownership was as follows:

	December 31	
	2018	**2017**
Taiwan Crystal Technology International Ltd.	100.0%	100.0%
TXC Technology Inc.	100.0%	100.0%
TXC Japan Corporation	100.0%	100.0%
Taiwan Crystal Technology (HK) Limited	100.0%	100.0%
TXC EUROPE GMBH	100.0%	-
TXC Optec Corporation	-	88.9%

Investments in Associates

	December 31	
	2018	**2017**
Associate that is not individually material	$ 337,385	$ 96,189

	For the Year Ended December 31	
	2018	**2017**
The Company’s share of:		
Profit from continuing operations	$ 12,207	$ 11,618
Other comprehensive loss	(2,000)	(1,131)
Total comprehensive income for the year	$ 10,207	$ 10,487

Refer to Table 7 “name, locations, and related information of investees on which the Company exercises significant influence” for the nature of activities, principal place of business and country of incorporation of the associates.

Since part of directors of TXC are the same as Tai-Shing, the TXC has power to govern the financial and operating policies of Tai-Shing. As a result, Tai-Shing is accounted for using the equity method.

In 2018, the Company subscribed for 4,242 thousand shares of the ordinary shares of Tai-Shing for cash 196,202 thousand, after the subscription, the Company’s percentage of ownership in Tai-Shing was 26.19%. Included in the cost of investment in associates was goodwill of $104,966 thousand recognized from the acquisition of Tai-Shing. The Company recognized goodwill of $104,996 thousand as cost of Investments in associates.

In 2018, the Company subscribed for 2,350 thousand shares of the ordinary shares of Godsmith Sensor Inc. for cash of $38,100 thousands; after the subscription, the Company’s percentage of ownership in Godsmith Sensor Inc. was 34.96% and the Company was able to exercise significant influence over Godsmith Sensor Inc. The Company recognized goodwill of $20,832 thousand as cost of Investments in associates.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transpor-tation Equipment	Office Equipment	Total
Cost							
Balance at January 1, 2017	$ 598,145	$ 920	$ 1,239,624	$ 2,692,757	$ 2,229	$ 89,352	$ 4,623,027
Additions	-	-	9,754	324,122	-	6,889	340,765
Transfer to investment property	-	-	(4,160)	-	-	-	(4,160)
Reclassifications	-	-	(120)	146	-	(26)	-
Prepayments, buildings, land operating purpose	-	-	-	83,443	-	-	83,443
Disposals	-	-	-	(65,893)	(1,439)	(616)	(67,948)
Balance at December 31, 2017	$ 598,145	$ 920	$ 1,245,098	$ 3,034,575	$ 790	$ 95,599	$ 4,975,127
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ -	$ 153	$ 483,770	$ 2,008,766	$ 350	$ 74,239	$ 2,567,278
Disposals	-	-	-	(65,742)	(384)	(616)	(66,742)
Depreciation expense	-	132	68,618	290,833	350	7,463	367,396
Reclassifications	-	-	-	22	-	(22)	-
Transfer to investment property e	-		(1,917)	-	-	-	(1,917)
Balance at December 31, 2017	$ -	$ 285	$ 550,471	$ 2,233,879	$ 316	$ 81,064	$ 2,866,015
Carrying amount at December 31, 2017	$ 598,145	$ 635	$ 694,627	$ 800,696	$ 474	$ 14,535	$ 2,109,112
Cost							
Balance at January 1, 2018	$ 598,145	$ 920	$ 1,245,098	$ 3,034,575	$ 790	$ 95,599	$ 4,975,127
Additions	-	395	10,302	84,676	744	8,276	104,393
Disposals	-	-	(820)	(230,466)	-	(7,352)	(238,638)
Balance at December 31, 2018	$ 598,145	$ 1,315	$ 1,254,580	$ 2,888,785	$ 1,534	$ 96,523	$ 4,840,882
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ -	$ 285	$ 550,471	$ 2,233,879	$ 316	$ 81,064	$ 2,866,015
Disposals	-	-	(821)	(205,874)	-	(7,329)	(214,024)
Depreciation expense	-	178	63,046	224,166	232	6,782	294,404
Balance at December 31, 2018	$ -	$ 463	$ 612,696	$ 2,252,171	$ 548	$ 80,517	$ 2,946,395
Carrying amount at December 31, 2018	$ 598,145	$ 852	$ 641,884	$ 636,614	$ 986	$ 16,006	$ 1,894,487

No impairment assessment was performed for the year ended December 31, 2018 as there was no indication of impairment.

The above items of property, plant and equipment were depreciated on a straight-line basis at follows:

Land improvements	7 years
Buildings	
Industrial building	35-51 years
Electrical power systems	3-11 years
Engineering systems	3-51 years
Equipment	
Major production equipments	1-5 years
Temperature control systems	4-7 years
Transportation equipments	4-7 years
Transportation equipments	5 years
Office equipment	2-6 years

Property, plant and equipment pledged as collateral for bank borrowings were set out on Note 31.

18. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1, 2017	$ 266,627
Transferred from property, plant and equipment	4,160
Disposals	(11,175)
Balance at December 31, 2017	$ 259,612
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ (102,870)
Depreciation expense	(22,255)
Disposals	4,562
Transferred from property, plant and equipment	(1,917)
Balance at December 31, 2017	$ (122,480)
Carrying amount at December 31, 2017	$ 137,132
Cost	
Balance at January 1, 2018	$ 259,612
Disposals	-
Balance at December 31, 2018	$ 259,612
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ (122,480)
Depreciation expense	(21,658)
Balance at December 31, 2018	$ (144,138)
Carrying amount at December 31, 2018	$ 115,474

The investment properties were depreciated using the straight-line method over their estimated useful lives of 5-61 years.

The fair value of the Company's investment properties as of December 31, 2018 and 2017 was $498,154 thousand and $367,078 thousand, respectively. The fair value valuation had not been performed by independent qualified professional appraisers. The management of the Company had used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Company's investment property was held under freehold interests. The investment properties pledged as collateral for bank borrowing were set out in Note 31.

19. BORROWINGS

a. Short-term borrowings

	December 31 2018	December 31 2017
Unsecured borrowings		
Letters of credit	$ -	$ 549

The interest rate on the letters of credit was 2.86% annum as of December 31, 2017.

b. Long-term borrowings

	December 31 2018	December 31 2017
Secured borrowings (Note 31)		
Bank loans (1)	$ 46,875	$ 109,375
Unsecured borrowings		
Line of credit borrowings (2)	1,350,000	1,650,000
Less: Current portions	(46,875)	(62,500)
Long-term borrowings	$ 1,350,000	$ 1,696,875

1) As of December 31, 2018 and 2017, the weighted average effective interest rate on the bank loan was 1.15% and 0.89% per annum. See Note 31 for collaterals on long-term loans.

2) The interest rate on the line of credit was 0.86%-0.89% and 0.85%-0.9% annum as of December 31, 2018 and 2017, respectively.

20. OTHER LIABILITIES

	December 31 2018	December 31 2017
Current		
Other payables		
Payables for bonus to employees and directors	$ 85,014	$ 125,404
Payables for commission	24,479	33,343
Payables for salaries	36,112	38,068
Payables for bonus	94,833	98,675
Payables for annual leave	18,336	18,336
Payable for purchase of equipment	27,123	13,533
Others	68,507	68,419
	$ 354,404	$ 395,778

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The Company has set up appointed manager's pension fund and contributes monthly an amount of not less than 8% of the appointed manager's monthly salaries and wages to the Bank of Taiwan.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 165,146	$ 153,518
Fair value of plan assets	(97,113)	(91,494)
Net defined benefit liability	$ 68,033	$ 62,024

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2017	$ 141,977	$ (85,666)	$ 56,311
Service cost			
Current service cost	2,066	-	2,066
Net interest expense (income)	1,221	(673)	548
Recognized in profit or loss	3,287	(673)	2,614
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(149)	(149)
Actuarial (gain) loss - changes in demographic assumptions	13,390	-	13,390

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Actuarial (gain) loss - changes in financial assumptions	$ (1,703)	$ -	$ (1,703)
Actuarial (gain) loss - experience adjustments	6,841	-	6,841
Recognized in other comprehensive income	18,528	(149)	18,379
Contributions from the employer		(15,280)	(15,280)
Benefits paid	(10,274)	10,274	-
Balance at December 31, 2017	153,518	(91,494)	62,024
Service cost			
Current service cost	1,956	-	1,956
Past service cost and loss on settlements	617	-	617
Net interest expense (income)	1,475	(794)	681
Recognized in profit or loss	4,048	(794)	3,254
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,783)	(2,783)
Actuarial (gain) loss - changes in demographic assumptions	11,053	-	11,053
Actuarial (gain) loss - changes in financial assumptions	2,042	-	2,042
Actuarial (gain) loss - experience adjustments	6,479	-	6,479
Recognized in other comprehensive income	19,574	(2,783)	16,791
Contributions from the employer	-	(14,036)	(14,036)
Benefits paid	(11,994)	11,994	-
Balance at December 31, 2018	$ 165,146	$ (97,113)	$ 68,033

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Cost of goods sold	$ 1,608	$ 1,268
Selling and marketing expenses	341	341
General and administrative expenses	553	495
Research and development expenses	752	510
	$ 3,254	$ 2,614

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate(s)	1.125%	1.25%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (4,625)	$ (4,002)
0.25% decrease	$ 4,814	$ 4,159
Expected rate(s) of salary increase		
0.25% increase	$ 4,683	$ 4,038
0.25% decrease	$ (4,523)	$ (3,905)

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

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 14,036	$ 15,280
The average duration of the defined benefit obligation	11.6 years	10.7 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	500,000	500,000
Shares authorized	$ 5,000,000	$ 5,000,000
Number of shares issued and fully paid (in thousands)	309,757	309,757
Shares issued	$ 3,097,570	$ 3,097,570

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

30,000 thousand shares of the Company's shares authorized were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 611,776	$ 611,776
Conversion of bonds	977,028	977,028
Overdue options	73,377	73,377
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	331	331
Share of changes in capital surplus of associates or joint venture	2,604	2,712
	$ 1,665,116	$ 1,665,224

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

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, please refer to employee benefits expense in Note 24(f).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

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

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 5, 2018 and June 8, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Legal reserve	$ 96,265	$ 101,616	$ -	$ -
Cash dividends	774,393	867,320	2.5	2.8

The appropriations of earnings for 2018 annual surplus distribution on April 25, 2019 was as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 64,435	$ -
Cash dividends	619,514	2

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

d. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (264,137)	$ (161,346)
Exchange differences on translating financial statements of foreign operations	(94,043)	(101,905)
Share of exchange differences of associates accounted for using the equity method	(1,743)	(886)
Balance at December 31	$ (359,923)	$ (264,137)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance at January 1, 2017	$ 955,103
Recognized for the year	
Unrealized gain arising on revaluation of available-for-sale financial assets	(423,470)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(58)
Reclassification adjustment	
Cumulative (gain)/loss reclassified to profit or loss on sale of available-for-sale financial assets	(150,527)
Other comprehensive income recognized for the year	(574,055)
Balance at December 31, 2017	$ 381,048
Balance at January 1, 2018 per IAS 39	$ 381,048
Adjustment on initial application of IFRS 9	(381,048)
Balance at January 1, 2018 per IFRS 9	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	283,139
Balance at January 1 per IFRS 9	283,139
Effect of change in tax rate	(13,626)
Recognized during the period	
Unrealized loss - equity instruments	(133,148)
Share from associates accounted for using the equity method	6,596
Other comprehensive income recognized in the period	(140,178)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(37,944)
Balance at December 31	$ 105,017

23. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 6,556,906	$ 7,054,964

	For the Year Ended December 31, 2018
Trade receivables (Note 14)	$ 2,231,828

24. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations had been arrived at after charging:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 8,103	$ 7,217
Rental income	2,616	7,596
Dividends income	1,527	2,288
Income from government grants	6,224	12,990
Income from equipment	22,098	-
Others	14,147	19,886
	$ 54,715	$ 49,977

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of property, plant and equipment	$ 1,232	$ 66
Gain on disposal of investment property	-	50,061
Gain on disposal of investment		
Available-for-sale financial assets	-	181,429
Financial assets measured at cost	-	47,237
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	1,414	-
Financial assets designated as at FVTPL	-	(306)
Net foreign exchange gains (loss)	26,289	(69,185)
Impairment loss on financial assets	-	(9,971)
Depreciation expenses of investment properties	(21,658)	(22,255)
Others	(697)	(181)
	$ 6,580	$ 176,895

c. Impairment loss on financial assets

	For the Year Ended December 31	
	2018	2017
Financial assets measured at cost	$ -	$ (9,971)

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ (12,443)	$ (15,267)

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 294,404	$ 367,396
Intangible assets	558	1,255
	$ 294,962	$ 368,651
An analysis of deprecation by function		
Cost of goods sold	$ 238,278	$ 299,249
Selling and marketing expenses	1,136	1,218
General and administrative expenses	3,163	4,215
Research and development expenses	51,827	62,714
	$ 294,404	$ 367,396
An analysis of amortization by function		
General and administrative expenses	$ 406	$ 888
Research and development expenses	152	367
	$ 558	$ 1,255

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (see Note 21)		
Defined contribution plans	$ 25,575	$ 25,752
Defined benefit plans	3,254	2,614
	28,829	28,366
Other employee benefits	719,367	795,701
	$ 748,196	$ 824,067
An analysis of employee benefits expense by function		
Operating costs	$ 429,653	$ 452,944
Operating expenses	318,543	371,123
	$ 748,196	$ 824,067

- Employees’ compensation and remuneration of directors for 2018 and 2017

  In compliance with the Company Act the Company accrued employees’ compensation and remuneration of directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors. The employees’ compensation and remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Company’s board of directors on March 22, 2019 and March 15, 2018, respectively, were as follows:

  Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees’ compensation	9%	9%
Remuneration of directors	1.5%	1.5%

  Amount

	For Fiscal Year 2018		For Fiscal Year 2017	
	Cash Bonus	**Share Bonus**	**Cash Bonus**	**Share Bonus**
Employees’ compensation	$ 69,072	$ -	$ 103,140	$ -
Remuneration of directors	11,512	-	17,190	-

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

  There was no difference between the actual amounts of employees’ compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	**2017**
Current tax		
In respect of the current year	$ 25,309	$ 100,039
Income tax of unappropriated earnings	7,656	2,845
Adjustments for prior year	(6,550)	4,724
	26,415	107,608
Deferred tax		
Change in tax rate	13,914	-
In respect of the current period	2,208	(44,593)
	16,122	(44,593)
Income tax expense recognized in profit or loss	$ 42,537	$ 63,015

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 686,887	$ 1,025,670
Income tax expense calculated at the statutory rate	$ 137,377	$ 174,364
Tax-exempt income	(63,169)	(78,192)
Tax-exempt income for five years	(8,118)	(9,182)
Income tax on unappropriated earnings	7,656	2,845
Unrecognized deductible temporary differences	(22,245)	(20,958)
Subsidiaries to repatriate earnings withholding tax	2,019	10,271
Investment tax credits	(18,239)	(22,403)
Additional income tax under the Alternative Minimum Tax Act	-	1,713
Change in tax rate	13,914	-
Adjustment for prior years' tax	(6,550)	4,724
Others	(108)	(167)
Income tax expense recognized in profit or loss	$ 42,537	$ 63,105

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. In February 2018, Income Tax Law, which adjusted the income tax rate for profit-making business from 17% to 20%, and implemented it in year 2018. In addition, the tax rate applicable to the undistributed earnings for the year 2018 will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ (37,377)	$ -
Fair value changes of available-for-sale financial assets	-	(118,528)
Remeasurement of defined benefit plans	(3,358)	(3,124)
Reclassification adjustment		
Disposal of equity instruments at fair value through other comprehensive income	(9,486)	-
Effect of change in tax rate		
Remeasurement of defined benefit plans	(2,813)	-
Fair value changes of financial assets at FVTOCI	13,626	-
	$ (39,408)	$ (121,652)

c. Current income tax assets and liabilities

	December 31	
	2018	**2017**
Current tax assets		
Income tax receivable	$ 5,245	$ -
Current tax liabilities		
Income tax payable	$ -	$ 23,239

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	**Recognize in Profit or Loss**	**Recognize in Other Comprehensive Income**	**Closing Balance**
Deferred tax assets				
Unrealized loss on inventories	$ 5,601	$ 2,581	$ -	$ 8,182
Unrealized exchange loss	1,716	(1,095)	-	621
Financial assets at fair value through profit or loss	215	(215)	-	-
Payable for annual leave	3,117	550	-	3,667
Determine benefit obligation	12,553	(2,753)	6,171	15,971
Investment subsidiary	18,621	(18,621)	-	-
Others	448	(235)	-	213
	$ 42,271	$ (19,788)	$ 6,171	$ 28,654
Deferred tax liabilities				
Financial assets at fair value through profit or loss	$ -	$ 17	$ -	$ 17
Associates	105,179	(3,683)	-	101,496
Financial assets at fair value through other comprehensive income	77,214	-	(33,237)	43,977
	$ 182,393	$ (3,666)	$ (33,237)	$ 145,490

For the year ended December 31, 2017

	Opening Balance	Recognize in Profit or Loss	Recognize in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 7,364	$ (1,763)	$ -	$ 5,601
Unrealized exchange loss	-	1,716	-	1,716
Financial assets at fair value through profit or loss	2,286	(2,071)	-	215
Payable for annual leave	3,022	95	-	3,117
Determine benefit obligation	11,582	(2,153)	3,124	12,553
Investment subsidiary	-	18,621	-	18,621
Others	802	(354)	-	448
	$ 25,056	$ 14,091	$ 3,124	$ 42,271
Deferred tax liabilities				
Unrealized exchange gain	$ 11,245	$ (11,245)	$ -	$ -
Associates	124,436	(19,257)	-	105,179
Unrealized gain/loss on available-for-sale financial assets	195,742	-	(118,528)	77,214
	$ 331,423	$ (30,502)	$ (118,528)	$ 182,393

e. Unused investment tax credits, operating loss carryforward and tax-exemption information

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-exemption Period
2009	2014 to 2018

f. Income tax assessments

The tax returns had been assessed by the tax authorities before 2016.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic earnings per share	$ 644,350	$ 962,655
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Earnings used in the computation of diluted earnings per share	$ 644,350	$ 962,655

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	309,757	309,757
Effect of potentially dilutive ordinary shares:		
Employees' compensation	2,658	3,443
Weighted average number of ordinary shares used in the computation of diluted earnings per share	312,415	313,200

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of warehouse in trade zone with lease terms 3 years. All operating lease contracts contain clauses for 3-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased land at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 1,400	$ 2,800
Later than 1 year and not later than 5 years	-	1,400
	$ 1,400	$ 4,200

b. The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms between 1 to 3 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2018	**2017**
Not later than 1 year	$ 1,991	$ -
Later than 1 year and not later than 5 years	1,378	-
	$ 3,369	$ -

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.)

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

29. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Listed securities - ROC				
Equity securities	$ 30,975	$ -	$ -	$ 30,975
Foreign exchange forward contracts	-	10	-	10
Exchange contracts	-	76	-	76
	$ 30,975	$ 86	$ -	$ 31,061

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares	$ -	$ -	$ 80,227	$ 80,227
Foreign listed shares	250,698	-	-	250,698
	$ 250,698	$ -	$ 80,227	$ 330,925

(Concluded)

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC				
Equity securities	$ -	$ -	$ 21,498	$ 21,498
Securities listed in other countries	491,469	-	-	491,469
Equity securities				
Mutual funds	39,657	-	-	39,657
	$ 531,126	$ -	$ 21,498	$ 552,624
Financial liabilities at FVTPL				
Forward exchange contracts	$ -	$ 323	$ -	$ 323
Exchange contracts	-	942	-	942
	$ -	$ 1,265	$ -	$ 1,265

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income
	Equity Instruments
Balance at January 1, 2018 (IAS 39)	$ 21,498
Effect of retrospective application and retrospective restatement	42,370
Balance at January 1, 2018 (IFRS 9)	63,868
Other comprehensive income recognized for the year	16,359
Balance at December 31, 2018	$ 80,227

For the year ended December 31, 2017

	Available-for-sale Financial Assets
	Equity Instruments
Financial assets	
Balance at January 1, 2017	$ 17,148
Recognized in other comprehensive income (included in unrealized gain/(loss) on financial assets at FVTOCI)	4,350
	$ 21,498

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The Company uses price-book ratio approach, comparing the net value per share with other public companies among the similar industries or evaluating stock price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

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

	December 31, 2017
Long-term revenue growth rates	12.89%
Long-term pre-tax operating margin	4.34%
WACC	10.96%
Discount for lack of marketability	30.24%

c. Categories of financial instruments

	December 31			
	2018		2017	
Financial assets				
FVTPL				
Mandatorily at FVTPL (1)	$	31,061	$	-
Loans and receivables (2)		-		3,018,450
Held-to-maturity investments (3)		-		45,680
Available-for-sale financial assets (4)		-		589,946
Financial assets at amortized cost (5)		2,884,759		-
Financial assets at FVTOCI				
Equity instruments		330,925		-
Financial liabilities				
FVTPL				
Designated as at FVTPL (6)		-		1,265
Amortized cost (7)		2,967,759		3,289,896

1) The balances included the carrying amount of domestic listed shares, foreign exchange forward contracts and exchange contracts.

2) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade and other receivables, debt investments with no active market.

3) The balances included the carrying amount of financial debt investment.

4) The balances included the carrying amount of available-for-sale financial assets measured at cost.

5) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, financial debt investment and other receivables.

6) The balances included the carrying amount of foreign exchange forward contracts and exchange contracts.

7) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes receivable, trade receivables, other receivables, notes payable, trade payables, other payables, borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The financial department reported quarterly to the Board of directors, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period (see Note 34).

Sensitivity analysis

The Company was mainly exposed to the USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact		**JPY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
Profit or loss	$ 17,256	$ 16,044	$ (2,046)	$ (1,020)

i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure to outstanding JPY payables, which were not hedged, at the end of the reporting period.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company's bank deposits and the Company borrowed funds at floating interest rates.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 40,355	$ 253,848
Financial liabilities	-	-
Cash flow interest rate risk		
Financial assets	584,917	583,431
Financial liabilities	1,396,875	1,759,924

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by $2,030 thousand and $2,941 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments. The Company's equity price risk was mainly concentrated on equity instruments operating in Shenzhen stock exchange, growth enterprise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, other comprehensive income for the year ended December 31, 2018 and 2017 would increase/decrease by $2,507 thousand and $4,915 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets;

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liability. As of December 31, 2018 and 2017, the Company had available unutilized overdraft and short-term bank loan facilities of approximately $3,528,150 thousand and $3,243,160 thousand, respectively.

a) Liquidity and interest risk rate tables

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

To extend that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

	Weighted Interest Average Effective Rate (%)	**Less Than 1 Year**	**2-3 Years**	**4-5 Years**	**5+ Years**	**Total**
Non-derivative financial liabilities						
Trade payable	-	$ 1,213,259	$ -	$ -	$ -	$ 1,213,259
Other payables	-	357,625	-	-	-	357,625
Other current liabilities	-	8,486	-	-	-	8,486
Variable interest rate liabilities	0.86-1.15	46,875	1,350,000	-	-	1,396,875

December 31, 2017

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
Non-derivative financial liabilities						
Trade payable	-	$ 1,131,220	$ -	$ -	$ -	$ 1,131,220
Other payables	-	398,752	-	-	-	398,752
Other current liabilities	-	10,984	-	-	-	10,984
Variable interest rate liabilities	0.85-2.86	63,049	1,696,875	-	-	1,759,924
Guarantee deposits received	-	-	12,334	-	-	12,334

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Foreign exchange forward contracts and exchange contracts	$ -	$ (394)	$ -	$ -	$ -

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Foreign exchange forward contracts	$ (856)	$ (409)	$ -	$ -	$ -

30. TRANSACTIONS WITH RELATED PARTY

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Tai-Shing Electronics Components Corporation	Associate
Liang Shing Eclife Corp. ("Eclife")	Other associate
GODSMITH SENSOR INC.	Associate
TXC (Ningbo) Corporation	Subsidiaries
TXC (Chongqing) Limited	Subsidiaries
Growing profits Trading Ltd.	Subsidiaries
TXC Technology, Inc.	Subsidiaries
TXC Japan Corporation	Subsidiaries
TXC EUROPE GMBH	Subsidiaries

b. Sales of goods

	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ 315,806	$ 246,747
Other associate	33	-
Associates	32,965	21,710
	$ 348,804	$ 268,457

b. Purchase of goods

	For the Year Ended December 31	
	2018	2017
Subsidiaries		
TXC (Ningbo) Corporation	$ 1,663,711	$ 1,710,486
TXC (Chongqing) Limited	731,936	715,496
Others	139,286	146,439
	2,534,933	2,572,421
Other associates	188	47
	$ 2,535,121	$ 2,572,468

c. Consulting fees

	For the Year Ended December 31	
	2018	2017
Subsidiaries		
TXC Technology, Inc.	$ 69,758	$ 71,551
TXC Japan Corporation	32,787	38,153
TXC EUROPE GMBH	4,978	-
	$ 107,523	$ 109,704

The consulting fee above is due to the Company's part of business activities committed to the related parties.

d. Operating expenses

	For the Year Ended December 31	
	2018	2017
Other associates	$ 722	$ 830

e. Rental income

	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ -	$ 5,000

In 2018 and 2017, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, GPT, CKG, Ningbo Jingyu and TXC JP whose trading price depends on its function within the Group.

f. Trade receivables from related parties

	December 31	
	2018	2017
Subsidiaries	$ 101,006	$ 63,204
Associates	9,028	6,776
Other associates	34	-
Less: Allowance for impairment loss	(67)	(41)
	$ 110,001	$ 69,939

The outstanding accounts receivables from related parties are unsecured.

g. Trade payables to related parties

	December 31	
	2018	2017
Subsidiaries		
TXC (Ningbo) Corporation	$ 423,140	$ 396,754
TXC (Chongqing) Limited	178,878	257,116
Others	33,878	48,637
	635,896	702,507
Other associates	97	24
	$ 635,993	$ 702,531

The outstanding trade payables from related parties are unsecured.

h. Other receivables from related parties

	December 31	
	2018	2017
Subsidiaries		
TXC (Chongqing) Limited	$ -	$ 19,635
TXC (Ningbo) Corporation	6,143	-
Others	188	65
	6,331	19,700
Associates	127	82
	$ 6,458	$ 19,782

Other receivables resulted from purchasing machinery and equipment on behalf of subsidiaries.

i. Other payables from related parties

	December 31	
	2018	2017
Subsidiaries	$ 104	$ 1,153
Associates	1,760	-
Other associates	1,357	1,821
	$ 3,221	$ 2,974

The credit period of the transaction above is similar to those for the third parties.

j. Payments for property, plant and equipment

	For the Year Ended December 31	
	2018	2017
Other associates	$ 1,299	$ 1,691

k. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 61,628	$ 91,141
Post-employment benefits	3,054	3,323
	$ 64,682	$ 94,464

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts::

	December 31	
	2018	2017
Land and Land Improvement	$ 573,080	$ 573,770
Building equipment, net	632,184	694,279
Pledge deposits	28,591	-
Investment properties, net	113,772	135,356
	$ 1,347,627	$ 1,403,405

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2018 and 2017 were as follows:

a. Unused letters of credit amounted to approximately JPY2,450 thousand and JPY8,292 thousand as of December 31, 2018 and 2017, respectively.

b. As of December 31, 2018, the Company unrecognized commitments are as follows:

	Contract Amount	Paid Amount	Unpaid Amount
Acquisition of equipment	$ 67,742	$ 30,767	$ 31,975
Acquisition of building	$ 7,180	$ 2,154	$ 5,026

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 84,664	30.715 (USD:NTD)	$ 2,600,455
JPY	432,583	0.2782 (JPY:NTD)	120,345
RMB	21,009	4.4753 (RMB:NTD)	94,022

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
Investments accounted for using equity method			
USD	$ 507	30.715 (USD:NTD)	$ 15,572
JPY	99,948	0.2782 (JPY:NTD)	27,806
RMB	1,166,698	4.4753 (RMB:NTD)	5,221,323
EUR	61	35.2 (EUR:NTD)	2,130
<u>Financial liabilities</u>			
Monetary items			
USD	28,484	30.715 (USD:NTD)	874,886
JPY	1,168,067	0.2782 (JPY:NTD)	324,956

(Concluded)

<u>December 31, 2017</u>

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	$ 85,673	29.848 (USD:NTD)	$ 2,557,168
JPY	359,067	0.2649 (JPY:NTD)	95,117
RMB	193	4.568 (RMB:NTD)	882
Non-monetary items			
Investments accounted for using equity method			
USD	483	29.848 (USD:NTD)	14,407
JPY	81,973	0.2649 (JPY:NTD)	21,715
RMB	1,164,418	4.568 (RMB:NTD)	5,319,062
<u>Financial liabilities</u>			
Monetary items			
USD	31,922	29.848 (USD:NTD)	952,808
JPY	744,028	0.2649 (JPY:NTD)	197,093

For the years ended December 31, 2018 and 2017, unrealized net foreign exchange gains were $26,289 thousand and $(69,185) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (Table 1)

3) Holding of securities at the end of the period. (Table 2)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (Table 3)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 4)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 5)

9) Trading in derivative instruments. (Table 6 and Note 7)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 7)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 9)

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

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

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

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

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

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

TXC CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Note
		Name	Relationship (Note 2)								
1	TXC (Ningbo) Corporation	Chongqing All Sun Company Limited	Subsidiary with equity method	$ 2,482,217	$ 358,024	$ 358,024	$ 12,978	$ -	7.21	$ 4,964,433	

Note: The total amount of TXC (Ningbo) Corporation endorsements and guarantees provided shall not exceed 100% of the amount of the net value of TXC (Ningbo) Corporation; and the amount of individual entity endorsements shall not exceed 5% of the amount of the net value of the individual entity. However, the amount of individual entity endorsements is permitted with 100% of net value of subsidiary.

TXC CORPORATION

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Shares	
TXC Corporation	Stock listed overseas							
	Guandong Failong Crystal Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	6,693	$ 250,698	4	$ 250,698	
	Stock - unlisted company							
	Marson Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	523	$ 4,773	4	$ 4,773	
	Win Win Precision Technology Co., Ltd.	None	〃	1,365	14,256	3	14,256	
	UPI Semiconductor Corp.	Chairman is a direct of the Company	〃	1,516	61,198	2	61,198	
					$ 80,227		$ 80,227	
	Stock - listed company							
	Fubon B special stock	None	Financial assets at fair value through profit or loss - non-current	250	$ 15,500	-	$ 15,500	
	Cathay B special stock	None	〃	250	15,475	-	15,475	
					$ 30,975		$ 30,975	
	Financial bonds							
	Westpac Banking Corp.	None	Financial assets at amortized cost - current	RMB 9,000	$ 40,355		$ 40,355	
TXC (Ningbo) Corporation	Structured deposits							
	China Everbright Bank	None	Financial assets at fair value through profit or loss - current	RMB 36,245	$ 162,208		$ 162,208	
	Bank of Communication	〃	〃	RMB 30,088	134,654		134,654	
	HengFeng Bank	〃	〃	RMB 10,079	45,106		45,106	
					$ 341,968		$ 341,968	
	Mutual fund							
	GF Fund	None	Financial assets at fair value through profit or loss - current	RMB 5,080	$ 22,735		$ 22,735	
	ABC Monetary Fund	〃	〃	RMB 26,260	117,523		117,523	
	China Monetary Fund	〃	〃	RMB 10,030	44,889		44,889	
	Taijing No. 1 Monetary Fund	〃	〃	RMB 33,460	149,742		149,742	
					$ 334,889		$ 334,889	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Shares	
TXC (Chongqing) Limited	Mutual fund							
	Southern Currency Fund B	None	Financial assets at fair value through profit or loss - current	RMB 19,542	$ 87,455		$ 87,455	
	Southern Currency Fund E	〃	〃	RMB 8,346	37,351		37,351	
	Southern Currency Fund A	〃	〃	RMB 2,004	8,970		8,970	
	E Fund Monetary Fund A	〃	〃	RMB 2,057	9,208		9,208	
	E Fund Monetary Fund B	〃	〃	RMB 10,023	44,854		44,854	
					$ 187,838		$ 187,838	
Ningbo Jingyu Company Limited	Mutual fund							
	Southern Cash Fund	None	Financial assets at fair value through profit or loss - current	RMB 60	$ 267		$ 267	
Chongqing All Sun Company Limited	Mutual fund							
	Southern Currency Fund B	None	Financial assets at fair value through profit or loss - current	RMB 8,061	$ 36,074		$ 36,074	
Ding Kai Investment Management Company Limited	Stock unlisted overseas							
	Zhejiang Boland Semiconductor Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	RMB 7,000	$ 163,317	6	$ 163,317	

(Concluded)

TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
TXC (Chongqing) Limited	Mutual fund	Financial instruments at FVTPL - current	Southern Currency Fund B	None	-	$ 117,791	-	$ 307,932	-	$ (337,721)	$ (337,721)	$ -	$ (547)	-	$ 87,455
TXC (Ninbo) Limited	Structured deposits	Financial instruments at FVTPL - current	Agricultural Bank of China Limited	None	-	160,436	-	272,065	-	(301,598)	(301,598)	-	3,751	-	134,654

TXC CORPORATION

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	Purchase	$ 1,663,711	33	Note	Its trading price depends on its function within the Group	Note	$ (423,140)	(35)	
			Sale	(297,164)	(5)	〃	〃	〃	98,303	4	
	TXC (Chongqing) Limited	Subsidiary	Purchase	731,936	15	〃	〃	〃	(178,878)	(15)	
	Growing Profit Trading Ltd.	Subsidiary	Purchase	133,329	3	〃	〃	〃	(33,855)	(3)	
TXC (Ningbo) Corporation	Growing Profit Trading Ltd.	Subsidiary	Purchase	166,868	9	〃	〃	〃	(34,631)	(6)	
	TXC (Chongqing) Limited	Subsidiary	Purchase	259,549	14	〃	〃	〃	(88,568)	(14)	

Note: The terms of purchases from related parties were not significantly different from those with third parties.

TXC CORPORATION

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TXC (Ningbo) Corporation	TXC Corporation	Parent entity	$ 423,140	3.9	$ -	-	$ 422,493	$ -
TXC (Chongqing) Corporation	TXC Corporation	Parent entity	178,878	4.1	-	-	178,878	-

TABLE 6

TXC CORPORATION

TRADING IN DERIVATIVE INSTRUMENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

TXC (Ningbo) entered into the trading derivative instruments to manage its exposure to interest rate risks of foreign bonds and borrowings.

As of December 31, 2018, unexpired forward contract was below:

	Company Name	Currency	Expired Period	Contract Amount (In Thousand Dollar)
December 31, 2018				
Sell the forward contract	NGB	USD/RMB	2019.01.04-2019.02.11	USD5,500/RMB38,107

TXC CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	Taiwan Crystal Technology International Ltd.	Western Samoa	Investment	$ 1,390,461	$ 1,390,461	42,835	100.00	$ 5,128,270	$ 295,809	$ 295,563	Difference from upstream transactions $(246) thousand
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100.00	15,572	732	732	
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100.00	27,806	4,918	4,918	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	Investment	1,958	298,362	80	100.00	93,053	612	612	
	TXC EUROPE GNBH	Germany	Marketing activities	1,746	-	50	100.00	2,130	369	369	
	Tai-Shing Electronics Components Corporation	Taiwan	Manufacture and sales of electronics products	282,306	86,104	6,913	12.14	302,443	99,379	15,257	
	TXC Optec Corporation	Taiwan	Manufacture and sales of sapphire	-	444,718	-	-	-	(909)	(808)	Note 1
	Godsmith Sensor Inc.	Taiwan	Manufacture of equipment	38,100	-	2,350	34.96	34,942	(12,958)	(3,050)	
Taiwan Crystal Technology International Ltd.	Growing Profit Trading Ltd.	B.V.I.	International trading	1,691	1,691	50	100.00	175,348	2,661	2,661	
	TXC (Ningbo) Corporation	Ningbo	Manufacture and sales of electronics products	1,487,211	1,487,211	45,835	100.00	4,964,433	284,108	284,108	
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	Chongqing	Manufacture and sales of electronics products	1,003,222	604,152	133,825	100.00	1,234,296	94,527	92,985	
	Chongqing All Sun Company Limited	Chongqing	Market activities	426,259	312,644	111,000	100.00	483,670	(8,294)	(8,294)	
	Ningbo Jingyu Company Limited	Ningbo	International trading	7,090	7,090	2,500	100.00	4,077	(2,350)	(2,350)	
	Ningbo Free Trade Zon Ding Kai Investment Management Company	Ningbo	Investment management	160,043	160,043	35,050	100.00	163,464	(1)	(1)	
	Ningbo Longying Semiconductor Co., LTD.	Ningbo	Research and development in integrated circuit	60,540	-	2,400	40.00	59,005	(5,200)	(2,081)	
Taiwan Crystal Technology International (HK) Limited	TXC (Chongqing) Limited	Chongqing	Manufacture and sales of electronics products	-	298,362	-	-	-	94,527	1,542	Note 2

Note 1: TXC Optec Corporation. Was cleared and cleared by resolution of the shareholders meeting on August 24, 2017. And completed the liquidation on April 9, 2018.

Note 2: In the first quarter of 2018, Taiwan Crystal Technology (HK) Limited transferred its entire equity holding of TXC (Chongqing) Corporation to TXC (Ningbo) Corporation with a consideration of RMB86,600 thousand.

TXC CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US$ in Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
TXC (Ningbo) Corporation	Manufacturing and sales of crystal and crystal oscillator	$ 1,487,211	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	$ 1,427,630	$ -	$ -	$ 1,427,630	$ 284,108	100	$ 284,108	$ 4,964,433	$ 256,146
Guandong Failong Crystal Technology Co., Ltd.	Manufacturing and sales of new electronic components	580,947	Direct investment of the Corporation in Mainland China	46,478	-	-	46,478	80,132	4	-	250,698	252,022
TXC (Chongqing) Corporation	Manufacturing and sales of electronic devices and hardware components	902,514	Indirect investment of the Corporation in Mainland China through the Corporation's subsidiary in a third region	298,362	-	298,362	-	94,527	100	92,985	1,234,396	306,500
Chongqing All Suns Company Limited	Real estate intermediary service, real estate management and electronic product wholesale	426,259	Other investment of the Corporation Mainland China	-	-	-	-	(8,294)	100	(8,294)	483,670	-
Ningbo Jingyu Company Limited	Purchasing and selling electronic component	7,090	Other investment of the Corporation Mainland China	-	-	-	-	(2,350)	100	(2,350)	4,077	-
Ningbo Longying Semiconductor Co., LTD.	Research and development in integrated circuit	183,180	Other investment of the Corporation Mainland China	-	-	-	-	(5,200)	40	(2,081)	59,005	-
Ningbo Free Trade Zon Ding Kai Investment Management Company	Investment Management	160,043	Other investment of the Corporation Mainland China	-	-	-	-	(1)	100	(1)	163,464	-

2. The limited amounts of the investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$1,474,108	$1,832,878	$ -

Note: The investment in Mainland China has no maximum limitation since TXC Corporation had acquire the approval by the Industrial Development Bureau of the Company's establishment of operating head quarters in Taiwan.

TXC CORPORATION

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

1. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
TXC Corporation	NGB	Purchase	$ 1,633,711	33	Its trading price depends on its function within the Group	Similar with third parties	Its trading price depends on its function within the Group	$ (423,140)	(35)	$ 6,601
	NGB	Sale	297,164	5	〃	〃	〃	98,303	4	452
	CKG	Purchase	731,936	15	〃	〃	〃	(178,878)	(15)	3,725
GPT	NGB	Sale	166,868	27	〃	〃	〃	34,631	20	-

2. The transactions of properties and the profit or loss: None.

3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None

4. Financings directly or indirectly provided to the investees: None

5. Other transactions that significantly impacted current year’s profit or loss or financial position: None

TXC CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Statement 1
Statement of financial assets at fair value through profit or loss - current	Table 2
Statement of Financial assets at fair value through profit or loss - non- current	Table 2
Statement of trade receivables	Statement 2
Statement of inventories	Statement 3
Statement of changes in financial assets at fair value through other comprehensive income - non-current	Statement 4
Statement of financial assets at amortized cost - non-current	Table 2
Statement of changes in investments accounted for using equity method	Statement 5
Statement of changes in property, plant and equipment	Note 17
Statement of changes in accumulated depreciation of property, plant and equipment	Note 17
Statement of changes in accumulated impairment of property, plant and equipment	Note 17
Statement of changes in investment properties	Note 18
Statement of changes in accumulated depreciation of investment properties	Note 18
Statement of deferred income tax assets	Note 25
Statement of payables	Statement 6
Statement of long-term loans	Statement 7
Statement of deferred income tax liabilities	Note 25
Major Accounting Items in Profit or Loss	
Statement of net revenue	Statement 8
Statement of cost of goods sold	Statement 9
Statement of manufacturing expenses	Statement 10
Statement of operating expenses	Statement 11
Statement of other gain and losses	Note 24
Statement of finance costs	Note 24
Statement of labor, depreciation and amortization by function	Statement 12

TXC CORPORATION

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item		Amount
Cash		
Cash on hand	Including US$25 thousand @30.715; JPY124 thousand @0.2782; HK$4 thousand @3.921; and RMB29 thousand @4.4753; SGD3 thousand @22.48; EUR1 thousand @35.2	$ 1,116
Cash in banks		
Checking accounts and demand deposits		46,985
Foreign-currency deposits	Including US$12,509 thousand @30.715; JPY252,255 thousand @0.2782; EUR36 thousand @35.2; RMB11,980 thousand @4.4753	509,341
		$ 557,442

STATEMENT 2

TXC CORPORATION

TRADE RECEIVABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
TXC (Ningbo) Corporation	For goods	$ 98,303
TXC (Chongqing) Corporation	〃	911
Tai-Shing	〃	9,028
TXC Technology Inc.	〃	115
TXC Japan Corporation	〃	368
Ningbo Jingyu Company Limited	〃	1,309
Liang Shing	〃	34
		110,068
Less: Allowance for impairment loss		(67)
		110,001
Third parties		
A Company	For goods	147,611
B Company	〃	147,538
Others (Note)	〃	1,836,663
		2,131,812
Less: Allowance for doubtful accounts		(9,985)
		2,121,827
		$ 2,231,828

Note: Each of the accounts was less than 5% of the total account balance.

STATEMENT 3

TXC CORPORATION

INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Explanation	Cost	Market Value (Note)
Raw materials		$ 203,557	$ 197,888
Supplies and spare parts		67,016	66,402
Work in process		183,501	173,982
Finished goods		262,205	249,927
Merchandise		314,961	307,972
Goods in transit		1,609	1,609
		1,032,849	$ 997,780
Less: Allowance for loss		(35,069)	
		$ 997,780	

Note: The market value is based on net realizable value.

TXC CORPORATION

CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON- CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance			Increase		Decrease		Ending Balance			Pledge or
	Shares	Amount	Remeasure	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Security
Listed shares											
Guandong Failong Crystal Technology Co., Ltd.	8,096	$ 491,469	$ -	-	$ -	1,403	$ 240,771	6,693	4	$ 250,698	None
Unlisted shares											
Marson Technology Ltd.	523	4,773	-	-	-	-	-	523	4	4,773	〃
Win Win Precision Technology Co., Ltd.	1,365	21,498	-	-	-	-	7,242	1,365	3	14,256	〃
UPI Semiconductor Corp	1,516	32,549	5,048	-	23,601	-	-	1,516	2	61,198	〃
		58,820	5,048	-	23,601		7,242			80,227	
		$ 550,289	$ 5,048	-	$ 23,601		$ 248,013			$ 330,925	

TXC CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Equity in Investees Gain (Loss)	Ending Balance			Market Price or Net Asset Value		Valuation Method	Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Amount		
Unlisted company														
Taiwan Crystal Technology International Ltd.	42,835	$ 4,919,872	-	$ -	-	$	$ 208,398	42,835	100.00	$ 5,128,270	$ -	$ 5,139,841 (Note 1)	Equity method	None
TXC Technology Inc.	300	14,407	-	-	-	-	1,165	300	100.00	15,572	-	15,572 (Note 1)	Equity method	None
TXC Japan Corporation	2	21,715	-	-	-	-	6,091	2	100.00	27,806	-	27,806 (Note 1)	Equity method	None
Taiwan Crystal Technology International (HK) Limited	10,080	399,190	-	-	10,000	306,500	363	80	100.00	93,053	-	93,053 (Notes 1 and 3)	Equity method	None
Tai-Shing Electronics Components Corporation	2,671	96,189	4,242	196,202	-	3,205	13,257	6,913	26.19	302,443	51.7	357,402 (Note 1)	Equity method	None
TXC Optec Corporation	22,225	335,513	-	-	22,225	334,705	(808)	-	-	-	-	- (Notes 1 and 2)	Equity method	None
TXC EUROPE GMBH		-	50	1,746	-	-	384	50	100.00	2,130	-	2,130 (Note 1)	Equity method	None
Godsmith Sensor Inc.		-	2,305	38,100	-	-	(3,158)	2,305	34.96	34,942	-	34,942 (Note 1)	Equity method	None
		$ 5,786,886		$ 236,048		$ 644,410	$ 225,692			$ 5,604,216		$ 5,670,746		

Note 1: The above are unlisted companies, and have no market price.

Note 2: TXC Optec Corporation, was cleared and cleared by resolution of the shareholders meeting on August 24, 2017. And completed the liquidation on April 9, 2018.

Note 3: Taiwan Crystal Technology (HK) Limited, was determined to have capital reduction and share return. After reduction the ending shares is 80 thousand shares.

STATEMENT 6

TXC CORPORATION

ACCOUNTS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Related parties		
NGB	Payment for goods	$ 423,140
CKG	〃	178,878
GPT	〃	33,855
Liang Shing Eclife	〃	97
Ningbo Jingyu Company Limited	〃	23
Third parties		635,993
A Corporation	Payment for goods	120,159
B Corporation	〃	75,336
C Corporation	〃	65,976
D Corporation	〃	40,518
E Corporation	〃	33,266
F Corporation	〃	28,946
Others (Note)	〃	213,065
		577,266
		$ 1,213,259

Note: Each of the accounts was less than 5% of the total account balance.

TXC CORPORATION

LONG-TERM LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

	Repayment Period	Repayment Method	Interest Rate %	Amount Current Portion	Amount Noncurrent Portion	Total Amount	Pledge or Security
HSBC Bank	2017.12.12-2021.12.12	Repayable upon maturity	0.88	$ -	$ 100,00	$ 100,000	-
CTBC Bank	2014.9.1-2019.9.1	Repayable from August 2015 in quarterly installment	0.86-0.89	46,875	-	46,875	Note 31
CTBC Bank	2018.9.6-2019.9.6	Repayable upon maturity	0.86	-	200,000	200,000	-
KGI Bank	2018.9.4-2020.9.4	Repayable upon maturity	0.89	-	200,000	200,000	-
KGI Bank	2018.8.27-2020.8.27	Repayable upon maturity	0.89	-	200,000	200,000	-
Taishin International Bank	2018.12.19-2021-12.19	Repayable upon maturity	0.86	-	200,000	200,000	-
DBS	2018.1.25-2020.1.25	Repayable upon maturity	0.88	-	250,000	250,000	-
DBS	2017.9.6-2020.9.6	Repayable upon maturity	0.88	-	200,000	200,000	-
				$ 46,875	$ 1,350,000	$ 1,396,875	

STATEMENT 8

TXC CORPORATION

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

Item	Amount
Quartz crystal products	$ 6,657,254
Less: Sales returns	(17,427)
Less: Sales allowances	(82,921)
	$ 6,556,906

TXC CORPORATION

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

Item	Amount
Direct materials	
Beginning materials	$ 252,409
Add: Material purchase	1,001,240
Less: Unfavorable cost variance	134,082
Less: Expense	(117,801)
Less: Adjustment items	(96,030)
Ending materials	(264,290)
	909,610
Direct labor	277,007
Overhead	685,254
Manufacturing cost	1,871,871
Beginning work in process	208,445
Add: Purchases	38,855
Add: Others	13,371
Less: Expense	(38,259)
Less: Favorable cost variance	(79,354)
Ending work in process	(173,982)
Finished goods cost	1,840,947
Beginning finished goods	255,873
Add: Purchases	1,083
Add: Favorable cost variance	(27,868)
Less: Expense	(7,868)
Adds: Others	57,210
Ending finished goods	(249,927)
Production cost	1,869,450
Beginning merchandise inventory	221,866
Add: Purchase	3,716,479
Add: Others	42,334
Add: Favorable cost variance	(7,691)
Less: Expense	(1,029)
Ending merchandise inventory	(307,972)
Purchase cost	3,663,987
Loss on physical inventory	9,219
	$ 5,542,656

TXC CORPORATION

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

Item	Explanation	Amount
Indirect labor	Including salary and wages, pension, food stipend, employee benefits and insurance etc.	$ 171,672
Indirect materials		95,238
Depreciation		238,258
Utilities		78,581
Maintenance expense		42,707
Others		58,798
		$ 685,254

STATEMENT 11

TXC CORPORATION

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

Item	Explanation	Selling and Marketing	General and Administration	Research and Development
Salary		$ 48,134	$ 60,606	$ 172,290
Depreciation		1,136	3,163	51,827
Research expense		-	-	61,074
Commission		14,179	-	-
Import and export expense		42,756	-	93
Others		138,657	55,628	41,835
		$ 244,862	$ 119,397	$ 327,119

TXC CORPORATION

EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	2018 Operating Cost	2018 Operating Expense	2018 Total	2017 Operating Cost	2017 Operating Expense	2017 Total
Salaries	$ 380,834	$ 267,666	$ 648,500	$ 402,910	$ 312,709	$ 715,619
Insurance	33,801	23,110	56,911	34,842	24,204	59,046
Pension	14,873	13,956	28,829	14,765	13,601	28,366
Other employee benefit	145	447	592	427	1,563	1,990
Remuneration of directors	-	13,364	13,364	-	19,046	19,046
Depreciation expense	238,278	56,126	294,404	299,249	68,147	367,396
	$ 667,931	$ 374,669	$ 1,042,600	$ 752,193	$ 439,270	$ 1,191,463

Note: As of December 31, 2018 and 2017, the number of employees was 1,021 and 1,048 people with 8 and 7 directors not included in employees, respectively.