

**ORIENT SEMICONDUCTOR ELECTRONICS LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH
REPORT OF INDEPENDENT AUDITORS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2018 AND 2017**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Review Report of Independent Accountants

To Orient Semiconductor Electronics Limited

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4, the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflect total assets of \$1,137,176 thousand and \$1,047,407 thousand, constituting 6.71% and 6.15% of the consolidated total assets, and total liabilities of \$326,550 thousand and \$290,716 thousand, constituting 2.85% and 2.64% of the consolidated total liabilities as of September 30, 2018 and 2017, respectively; and total comprehensive income of \$21,811 thousand, \$17,966 thousand, \$36,629 thousand and \$60,056 thousand, constituting (62.74%), (18.86%), (21.35%) and (13.03%) of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively. As explained in Note 6.(9), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to \$430,479 thousand and \$431,362 thousand as of September 30, 2018 and 2017, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to \$19,715 thousand, \$12,856 thousand, \$41,189 thousand and \$37,268 thousand and the related shares of other comprehensive income from the associates and joint ventures under the equity method were both \$0 for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method and the information been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at September 30, 2018 and 2017, and their consolidated financial performance for the three-month and nine-month periods ended September 30, 2018 and 2017 and consolidated statements of changes in cash flow for the nine-month periods ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the consolidated financial statements, which describes the Company and its subsidiaries applied for the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” starting from January 1, 2018, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Ernst & Young, Taiwan

November 13, 2018

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
As of September 30, 2018, December 31, 2017 and September 30, 2017
(September 30, 2018 and 2017 are unaudited)
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	4, 6.(1)	\$929,802	6	\$1,294,247	8	\$1,394,742	8
Financial assets at fair value through profit or loss-Current	4, 6.(2)	—	—	30,813	—	42,023	—
Contract asset-Current	4, 6.(21)	237,918	2	—	—	—	—
Notes receivable	4, 6.(3)	28,045	—	11,950	—	10,566	—
Accounts receivable-Non Affiliates	4, 6.(4), 8	2,248,149	14	2,326,128	14	2,108,992	12
Accounts receivable-Affiliates	4, 6.(4), 7	652,706	4	237,354	2	324,271	2
Other receivable-Non Affiliates		37,462	—	55,870	—	68,808	—
Other receivable-Affiliates	7	49,117	—	45,095	—	48,182	1
Inventories	4, 6.(5)	1,707,857	10	1,427,892	9	1,452,841	9
Prepayments	4, 6.(13)	75,535	—	56,390	—	61,078	—
Other current assets		29,411	—	30,802	—	52,195	—
Other financial assets-Current	8	362,557	2	510,960	3	450,373	3
Total current assets		6,358,559	38	6,027,501	36	6,014,071	35
Non-current assets							
Financial assets at fair value through other comprehensive income-Non current	4, 6.(6)	256,943	2	—	—	—	—
Available-for-sale financial assets-Non current	4, 6.(7)	—	—	215,537	2	265,990	2
Financial assets carried at cost-Non current	4, 6.(8)	—	—	37,246	—	5,885	—
Investments accounted for using the equity method	4, 6.(9), 8	430,479	3	419,287	3	431,362	3
Property, plant, and equipment	4, 6.(10), 8	7,157,658	42	7,646,666	46	7,946,426	47
Investment property	4, 6.(11)	484,626	3	494,849	3	583,872	3
Intangible assets	4, 6.(12)	56,251	—	79,680	—	92,078	—
Deferred income tax assets	4, 6.(28)	1,669,472	10	1,394,979	8	1,389,681	8
Prepayment for equipment	4, 6.(13)	205,265	—	79,953	—	27,143	—
Refundable deposits	8	210,090	1	208,969	1	159,343	1
Long-term receivables-Affiliates	4, 6.(14), 7	94,711	1	92,384	1	93,935	1
Other non-current assets	4	11,158	—	14,257	—	13,970	—
Total non-current assets		10,576,653	62	10,683,807	64	11,009,685	65
Total assets		<u>\$16,935,212</u>	<u>100</u>	<u>\$16,711,308</u>	<u>100</u>	<u>\$17,023,756</u>	<u>100</u>

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
As of September 30, 2018, December 31, 2017 and September 30, 2017
(September 30, 2018 and 2017 are unaudited)
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
		Amount	%	Amount	%	Amount	%
Current liabilities							
Short-term loans	6.(15), 7	\$2,705,799	16	\$2,192,678	13	\$2,446,010	15
Short-term notes payable	6.(16)	399,058	2	398,938	3	399,244	2
Contract liabilities-Current	4, 6.(21)	18,155	—	—	—	—	—
Notes payable		26,059	—	25,116	—	27,058	—
Other notes payable		24,733	—	1,249	—	8,658	—
Accounts payable-Non Affiliates		3,841,386	23	3,177,352	19	2,976,818	18
Accounts payable-Affiliates	7	6,315	—	18,447	—	26,211	—
Accrued expenses		704,759	4	657,298	4	606,515	4
Payables on equipment		204,668	1	55,665	—	100,425	1
Current income tax liabilities	4, 6.(28)	4,027	—	5,704	—	2,649	—
Current portion of long-term loans	6.(17)	1,349,412	8	1,586,951	10	1,576,066	9
Lease payable-Current	4, 6.(18)	10,205	—	24,495	—	38,433	—
Other current liabilities		75,186	1	195,401	1	199,456	1
Total current liabilities		<u>9,369,762</u>	<u>55</u>	<u>8,339,294</u>	<u>50</u>	<u>8,407,543</u>	<u>50</u>
Non-current liabilities							
Long-term loans	6.(17)	1,608,761	10	2,170,755	13	2,066,669	12
Lease payable-Non current	4, 6.(18)	—	—	56	—	75	—
Net defined benefit liabilities-Non current	4, 6.(19)	464,284	3	537,783	3	519,516	3
Other non current liabilities-Others	4	3,680	—	3,574	—	3,574	—
Total non-current liabilities		<u>2,076,725</u>	<u>13</u>	<u>2,712,168</u>	<u>16</u>	<u>2,589,834</u>	<u>15</u>
Total liabilities		<u>11,446,487</u>	<u>68</u>	<u>11,051,462</u>	<u>66</u>	<u>10,997,377</u>	<u>65</u>
Equity attributable to the parent company	4, 6.(20)						
Capital							
Common stock		5,523,285	32	8,060,158	48	8,060,158	47
Additional paid-in capital		20,353	—	21,420	—	21,868	—
Retained earnings							
Undistributed earnings (Retained deficits)		87,533	1	(2,536,872)	(15)	(2,208,444)	(13)
Other Components of Equity		(142,446)	(1)	115,140	1	152,797	1
Equity attributable to stockholders of the parent		<u>5,488,725</u>	<u>32</u>	<u>5,659,846</u>	<u>34</u>	<u>6,026,379</u>	<u>35</u>
Total stockholders' equity		<u>5,488,725</u>	<u>32</u>	<u>5,659,846</u>	<u>34</u>	<u>6,026,379</u>	<u>35</u>
Total liabilities and stockholders' equity		<u>\$16,935,212</u>	<u>100</u>	<u>\$16,711,308</u>	<u>100</u>	<u>\$17,023,756</u>	<u>100</u>

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended September 30, 2018 and 2017
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Notes	For the three-month periods ended September 30, 2018		For the three-month periods ended September 30, 2017		For the nine-month periods ended September 30, 2018		For the nine-month periods ended September 30, 2017	
		Amount	%	Amount	%	Amount	%	Amount	%
Net revenue	4, 6.(21), 7	\$4,112,318	100	\$3,549,901	100	\$10,981,666	100	\$10,322,716	100
Cost of goods sold	4, 6.(5), 6.(25)	(3,939,117)	(96)	(3,456,432)	(97)	(10,813,383)	(98)	(10,163,972)	(98)
Gross profit		173,201	4	93,469	3	168,283	2	158,744	2
Operating expenses	4, 6.(25)								
Selling and administration expenses		(152,903)	(3)	(150,860)	(4)	(453,490)	(4)	(486,862)	(4)
Research and development expenses		(68,496)	(2)	(57,485)	(2)	(191,609)	(2)	(176,239)	(2)
Expected credit losses	4, 6.(22)	(778)	—	—	—	(4,240)	—	—	—
Subtotal		(222,177)	(5)	(208,345)	(6)	(649,339)	(6)	(663,101)	(6)
Operating loss		(48,976)	(1)	(114,876)	(3)	(481,056)	(4)	(504,357)	(4)
Non-operating income and expenses	6.(26)								
Other income		19,389	—	35,066	1	57,791	1	80,947	1
Other gains and losses		(1,606)	—	28,040	1	25,519	—	28,828	—
Financial costs		(30,359)	(1)	(32,709)	(1)	(95,134)	(1)	(106,642)	(1)
Share of profit of associates under equity method	4, 6.(9)	19,715	1	12,856	—	41,189	—	37,268	—
Pretax loss		(41,837)	(1)	(71,623)	(2)	(451,691)	(4)	(463,956)	(4)
Income tax benefit (expense)	4, 6.(28)	10,465	—	(22,218)	(1)	279,158	2	50,325	—
Consolidated net loss		(31,372)	(1)	(93,841)	(3)	(172,533)	(2)	(413,631)	(4)
Other comprehensive income (loss)	4, 6.(27)								
Items that will not be reclassified subsequently to profit or loss									
Unrealized gains or losses on financial assets at fair value through other comprehensive income		—	—	—	—	—	—	—	—
Income tax related to items that will not be reclassified subsequently		—	—	—	—	(5,252)	—	—	—
Items that may be reclassified subsequently to profit or loss									
Exchange differences on translation of foreign operations		(4,240)	—	(1,712)	—	12,649	—	(56,723)	—
Income tax related to items that may be reclassified subsequently		848	—	291	—	(6,443)	—	9,321	—
Total other comprehensive income (loss), net of tax		(3,392)	—	(1,421)	—	954	—	(47,402)	—
Total comprehensive income		(\$34,764)	(1)	(\$95,262)	(3)	(\$171,579)	(2)	(\$461,033)	(4)
Consolidated net income attributable to:									
Common stockholders of the parent		(\$31,372)	(1)	(\$93,841)	(3)	(\$172,533)	(2)	(\$412,404)	(4)
Non controlling interests		—	—	—	—	—	—	(1,227)	—
		(\$31,372)	(1)	(\$93,841)	(3)	(\$172,533)	(2)	(\$413,631)	(4)
Consolidated comprehensive income attributable to:									
Common stockholders of the parent		(\$34,764)	(1)	(\$95,262)	(3)	(\$171,579)	(2)	(\$457,913)	(4)
Non-controlling interests		—	—	—	—	—	—	(3,120)	—
		(\$34,764)	(1)	(\$95,262)	(3)	(\$171,579)	(2)	(\$461,033)	(4)
Basic earnings per share (Expressed in NTD)	4, 6.(29)	(\$0.06)		(\$0.17)		(\$0.31)		(\$0.75)	

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine-month periods ended September 30, 2018 and 2017
(Amounts expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to stockholders of the parent						Non-Controlling Interests	Total Equity	
	Common stock	Capital surplus	Retained earnings	Other equity					Total
			Retained deficits	Exchange differences on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Unrealized gains from available-for-sale financial assets			
Balance as of January 1, 2017	\$8,060,158	\$21,868	(\$1,796,040)	\$11,134	—	\$187,172	\$6,484,292	\$192,208	\$6,676,500
Loss for the nine months ended September 30, 2017			(412,404)				(412,404)	(1,227)	(413,631)
Other comprehensive loss for the nine months ended September 30, 2017				(45,509)			(45,509)	(1,893)	(47,402)
Total comprehensive loss	—	—	(412,404)	(45,509)	—	—	(457,913)	(3,120)	(461,033)
Effect of deconsolidation of Subsidiary								(192,208)	(192,208)
Changes in non-controlling interests								3,120	3,120
Balance as of September 30, 2017	\$8,060,158	\$21,868	(\$2,208,444)	(\$34, 375)	—	\$187,172	\$6,026,379	—	\$6,026,379
Balance as of January 1, 2018	\$8,060,158	\$21,420	(\$2,536,872)	(\$30,156)	—	\$145,296	\$5,659,846	—	\$5,659,846
Impact of retroactive applications			260,065		(\$113,244)	(145,296)	1,525	—	1,525
Adjusted balance as of January 1, 2018	8,060,158	21,420	(2,276,807)	(30,156)	(113,244)	—	5,661,371	—	5,661,371
Share of changes in net assets of associates and joint ventures accounted for using equity method		(1,067)					(1,067)		(1,067)
Loss for the nine months ended September 30, 2018			(172,533)				(172,533)		(172,533)
Other comprehensive income (loss) for the nine months ended September 30, 2018				6,206	(5,252)		954		954
Total comprehensive income (loss)	—	—	(172,533)	6,206	(5,252)	—	(171,579)	—	(171,579)
Capital reduction for cover accumulated deficits	(2,536,873)		2,536,873				—		—
Balance as of September 30, 2018	\$5,523,285	\$20,353	\$87,533	(\$23,950)	(\$118,496)	—	\$5,488,725	—	\$5,488,725

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-month periods ended September 30, 2018 and 2017
(Amount expressed in Thousands of New Taiwan Dollars)

Items	For the nine-month periods ended September 30, 2018	For the nine-month periods ended September 30, 2017	Items	For the nine-month periods ended September 30, 2018	For the nine-month periods ended September 30, 2017
	Amount	Amount		Amount	Amount
Cash flows from operating activities:			Cash flows from investing activities:		
Pretax loss	(\$451,691)	(\$463,956)	Disposal of financial assets at fair value through profit or loss	38,184	40,848
Adjustments to reconcile net income (loss) before tax to net			Cashflow of subsidiaries derecognition	—	(98,513)
The profit or loss items which did not affect cash flows:			Acquisition of property, plant, and equipment	(552,616)	(529,237)
Depreciation	1,054,031	1,126,823	Disposal of property, plant, and equipment	37,358	77,813
Amortization	45,575	42,935	(Increase) in refundable deposits	(1,121)	—
Expected credit loss (profit)	4,240	(959)	Decrease in refundable deposits	—	4,922
Net (gain) of financial assets and liabilities at fair value through profit or loss	(7,371)	(47,605)	Acquisition of intangible assets	(22,154)	(23,628)
Interest expense	95,134	106,642	(Increase) Decrease in long-term receivables	(2,327)	6,112
Interest revenue	(7,056)	(4,603)	Dividend received	—	3,677
Dividend revenue	—	(3,677)	Other investing activities	(879)	—
Share of (profit) of associates accounted for using the equity method	(41,189)	(37,268)	Net cash (used in) by investing activities	(503,555)	(518,006)
(Gain) on disposal of property, plant and equipment	(3,356)	(19,449)	Cash flows from financing activities:		
Loss on inventory valuation	35,510	41,125	Increase in short-term loans	513,437	994,603
Changes in operating assets and liabilities:			Increase in short-term notes payable	399,058	399,244
(Increase) in contract assets	(25,314)	—	(Decrease) in short-term notes payable	(398,938)	(249,131)
(Increase) Decrease in notes receivable-non affiliates	(16,095)	2,219	Increase in long-term loans	525,584	861,000
Decrease in accounts receivable-non affiliates	74,117	153,736	Repayment of long-term loans	(1,326,090)	(1,168,831)
(Increase) in accounts receivable-affiliates	(415,738)	(30,757)	(Decrease) in guarantee deposits received	(53)	(9)
Decrease in other receivable-non affiliates	16,762	28,960	(Decrease) in other payable-affiliates	—	(248,693)
Decrease in other receivable-affiliates	29,089	63,547	Increase in lease payable	30,378	6,642
(Increase) in inventories	(531,108)	(47,959)	(Decrease) in lease payable	(44,724)	(150,021)
(Increase) Decrease in prepayments	(18,653)	16,665	Interest paid	(93,950)	(120,223)
Decrease in other current assets	1,376	3,781	Changes in non-controlling interests	—	3,120
Decrease (Increase) in other operating assets	1,618	(3,674)	Other financing activities	148,403	(184,386)
(Decrease) in contract liabilities	(33,597)	—	Net cash (used in) provided by financing activities	(246,895)	143,315
Increase (Decrease) in notes payable-non affiliates	24,427	(20,959)	Effect of exchange rate changes on cash and cash equivalents	(933)	(1,258)
Increase (Decrease) in accounts payable-non affiliates	664,034	(184,901)	Net (decrease) increase in cash and cash equivalents	(364,445)	321,021
(Decrease) Increase in accounts payable-affiliates	(12,132)	16,288	Cash and cash equivalents at the beginning of period	1,294,247	1,073,721
(Decrease) Increase in other accounts payable	(1,184)	13,581	Cash and cash equivalents at the end of period	\$929,802	\$1,394,742
(Decrease) Increase in other current liabilities	(21,002)	29,198			
(Decrease) in accrued pension liabilities	(73,499)	(76,206)			
Cash generated from operations	386,928	703,527			
Interest received	7,040	4,566			
Income tax (paid)	(7,030)	(11,123)			
Net cash provided by operating activities	386,938	696,970			

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

English Translation of Financial Statements Originally Issued in Chinese
ORIENT SEMICONDUCTOR ELECTRONICS LIMITED AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Unless otherwise stated, all amounts expressed are in thousands of New Taiwan Dollars)

1. ORGANIZATION AND OPERATION

Orient Semiconductor Electronics Limited (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China in June 1971. The Company was registered in Kaohsiung City and the registered address is 9 Central 3Rd St. N.E.P.Z., Kaohsiung, Taiwan, 11, R.O.C. The principal activity of the Company is to engage in the manufacture, assembly, processing and sale of integrated circuits, parts for semiconductors, computer motherboards and related products. The Company's shares commenced trading in the Taiwan stock exchange market in April 1994.

For the nine-month periods ended September 30, 2018, the Company and its subsidiaries current liabilities and current assets amounted to \$9,369,762 thousand and \$6,358,559 thousand, respectively. The current ratio was 67.86%. The Company has devoted to adjusting its product structure. The Company keeps making a profit and improving financial structure.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries("the Group) for the nine-month periods ended September 30, 2018 and 2017 were authorized for issue by the Board of Directors on November 13, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

- (a) IFRS 15 "Revenue from Contracts with Customers"(including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2018.
- B. In addition to electronic assembly service, accepting commissions of IC from customers are the main business of the Group. According to the contract, the ownership of the work in progress belongs to suppliers. The Group strengthens the work in progress during the process of assembly and testing, and customers obtain controls when strengthening. The aforementioned transaction complies with recognizing revenue over time of IFRS 15, therefore, the revenue from sale of goods will be recognized revenue over time in replacement of recognizing revenue when goods have been delivered to the buyer. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance for contract assets was assessed in accordance with IFRS 9. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the goods and the services subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. To compare with the requirements of IAS 18, the amount of contract asset, inventory and retained earning will be increased \$212,604 thousand, decreased \$215,358 thousand and decreased \$2,754 thousand as at January 1, 2018.
- C. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(b) IFRS 9“Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement”, In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

- A. The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

- B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Fair value through profit or loss	\$30,813	Fair value through profit or loss	\$30,813
Fair value through other comprehensive income		Fair value through other comprehensive income	257,063
Available-for-sale financial assets (including \$37,246 thousand measured at cost)	252,783		
At amortized cost		Amortized cost (including cash and cash equivalents, notes receivables, accounts receivables, other financial assets and other receivables)	4,573,704
Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivables, other financial assets and other receivables)	4,573,704		
Total	<u>\$4,857,300</u>	Total	<u>\$4,861,580</u>

- C. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at January 1, 2018 are as follows:

IAS 39		IFRS 9		Difference	Retained Earnings Adjustment	Other components of equity Adjustment
Class of financial instruments	Carrying Amount	Class of financial instruments	Carrying Amount			
Financial assets at fair value through profit or loss						
Held-for-trading	\$30,813	Measured at fair value through profit or loss	\$30,813			
Available-for-sale financial assets (including investments measured at cost with initial investment cost of \$37,246 thousand, reported as a separate line item) (Note 1)	\$252,783	Measured at fair value through other comprehensive income (equity instruments)	257,063	4,280	\$262,820	(\$258,540)
Subtotal	<u>283,596</u>					

IAS 39		IFRS 9			Retained Earnings	Other components of equity
Class of financial instruments	Carrying Amount	Class of financial instruments	Carrying Amount	Difference	Adjustment	Adjustment
Loan and receivable (Note 2)						
Cash and cash equivalents (exclude cash on hand)	\$1,293,963	Cash and cash equivalents (exclude cash on hand)	1,293,963			
Other financial assets	510,960	Other financial assets	510,960			
Notes receivables	11,950	Notes receivables	11,950			
Accounts receivables	2,563,482	Accounts receivables	2,563,482			
Other receivables	100,965	Other receivables	100,965			
Long-term accounts receivable-affiliates	92,384	Long-term accounts receivable-affiliates	92,384			
Subtotal	4,573,704					
Total	<u>\$4,857,300</u>	Total	<u>\$4,861,580</u>		<u>\$262,820</u>	<u>(\$258,540)</u>

Note :

- (1) In accordance with of IAS 39, the Group's available-for-sale financial assets included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Adjustment details are described as follows:

Stocks (including listed and unlisted companies)

The Group assessed the facts and circumstances existed as at January 1, 2018, and determined these stocks were not held-for-trading; therefore, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of \$252,783 thousand. Other related adjustments are described as follows:

- (a) The stocks of unlisted companies previously measured at cost in accordance with IAS 39 had an original cost of \$300,066 thousand. In accordance with IFRS 9, stocks of unlisted companies must be measured at fair value. The fair value of the stocks of unlisted companies was \$41,526 thousand as at January 1, 2018. Accordingly, the Group adjusted the carrying amount of financial assets measured at fair value through other comprehensive income of \$41,526 thousand and also adjusted the retained earning and other equity by increasing \$262,820 thousand and decreasing \$258,540 thousand, respectively.

(b) As at January 1, 2018, the Group reclassified the stocks of unlisted companies of \$215,537 thousand measured at fair value from available-for-sale financial assets to financial assets measured at fair value through other comprehensive income. This adjustment did not result in any differences in the carrying amounts of assets, but reclassified within equity accounts.

(2) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

D. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board “IASB” which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 “Leases”	January 1, 2019
b	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
c	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

(b) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(c) IAS 28 “Investment in Associates and Joint Ventures” –Amendment to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(f) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

- (a) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

- (b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

(3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the nine-month periods ended September 30, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

A. The consolidated entities are listed as follows:

Investor	Name of subsidiaries	Main businesses	Percentage of ownership			Remarks
			September 30, 2018	December 31, 2017	September 30, 2017	
The Company	Orient Semiconductor Electronics Philippines, Inc. (OSE PHILIPPINES, INC. ; OSEP)	Manufacture and export of integrated circuits and computers	99.99%	99.99%	99.99%	1. As at September 30, 2018, the Company owned 93.67% and OSE B.V.I. owned 6.33% of the shares of OSEP, which represented the aggregate a 99.99% ownership of OSEP. 2. OSEP ceased its operation in fourth quarter of 2011.
The Company	OSE INTERNATIONAL, LTD. (OSE B.V.I.)	Investments of various manufacturing businesses	100.00%	100.00%	100.00%	—
The Company	OSE USA, INC. (OSEU)	Investments of various manufacturing businesses	100.00%	100.00%	100.00%	OSEA merged with OSEU on February 14, 2006 and assumed OSEU's assets, liabilities and preferred stocks. OSEA changed its name as OSE USA, Inc. after the merger.
The Company	COREPLUS (HK) LIMITED (COREPLUS)	Manufacture of electronics product	100.00%	100.00%	100.00%	—
COREPLUS (HK) LIMITED (COREPLUS)	VALUE-PLUS TECHNOLOGY (SUZHOU) CO. (VALUE-PLUS (SUZHOU))	Manufacture of electronics product	100.00%	100.00%	100.00%	—

B. The financial statements of part of the consolidated subsidiaries listed above had not been reviewed by auditors. As at September 30, 2018 and 2017, the related assets of the subsidiaries which were unaudited by auditors amount to \$1,137,176 thousand and \$1,047,407 thousand respectively, and the related liabilities amount to \$326,550 thousand and \$290,716 thousand, respectively. The comprehensive income of these subsidiaries amount to \$36,629 thousand and \$60,056 thousand for the nine-month periods ended September 30, 2018 and 2017, respectively.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading

- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- (b) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, at initial recognition, the Company makes an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial asset were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measure at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivables.

The accounting policy before 1 January 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(2) Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and

- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 42 for further details on credit risk.

The accounting policy before January 1, 2018 as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments; or

- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on an average basis.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs, on an average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, 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 entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~50 years
Machinery and equipment	7~15 years
Transportation equipment	5 years
Office equipment	5 years
Leased assets	7~15 years
Leasehold improvements	5~15 years
Other equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Sale and leaseback

The company sold a portion of machinery and equipment and leased back. When sale and leaseback determined as financial leases, the company (the lessor and lessee) deferred the amount exceed book value and amortized during the leasehold period.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) Its intention to complete and its ability to use or sell the asset
- (c) How the asset will generate future economic benefits
- (d) The availability of resources to complete the asset
- (e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Cost of computer software</u>
Useful lives	1～3 years
Amortization method used	Amortized on a straight-line basis
Internally generated or acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Revenue recognition

The accounting policy from January 1, 2018 as follow:

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are integrated circuits, semiconductor devices and computer motherboards, etc and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

Products manufactured according to customer's agreed specifications if the customer controls the product at the time of creation or enhancement of the product, the Group will gradually recognize revenue over time.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. And the warranty is accounted in accordance with IAS 37.

The credit period of the Group's sale of goods is from 30 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to transfer the goods to customers subsequently; accordingly, these amounts are recognized as contract liabilities.

Rendering of services

Revenue is recognized when the Group finishes the processing services.

The accounting policy before January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
and
- (e) the costs incurred in respect of the transaction can be measured reliably

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

Rendering of services

Revenue is recognized when the Group finishes the processing services.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(22) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 (before January 1, 2018: IAS 39) either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition

The revenue of the Group is base on trading patterns and whether the economic substance is expose to the sale of goods or services relate to the significant risks and rewards, to determine whether the Group should be classified as the principal of the transaction or agent. When expose to the sale of goods or services related to the significant risks and rewards, the principal of the transaction should recognize the total receivables or received economic benefit as revenue; if determine as the agent, recognize the net transaction as revenue.

The Group provides electronic manufacturing services and integrated circuit packaging and testing manufacturing services, determined as to confirm to the following indicators; it is recognized as total revenue collected:

- A. has the primary responsibility to the provision of goods or services
- B. assumed inventory risk
- C. assumed customer's credit risk

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 42 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases (decrease).

(d) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

- (e) Accounts receivables—estimation of impairment loss

Starting from January 1, 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group considers the estimation of future cash flows when there is objective evidence showing indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

- (f) Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 10 for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Cash on hand	\$226	\$284	\$307
Demand deposits	929,576	1,293,963	1,394,435
Total	<u>\$929,802</u>	<u>\$1,294,247</u>	<u>\$1,394,742</u>

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	Sep. 30, 2018	Dec. 31, 2017(Note)	Sep. 30, 2017(Note)
Financial assets designated at fair value through profit or loss:			
Non-derivative financial assets - stocks	<u>—</u>		
	Sep. 30, 2018(Note)	Dec. 31, 2017	Sep. 30, 2017
Non-derivative financial assets			
Stocks		<u>\$30,813</u>	<u>\$42,023</u>

(Note) : The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(3) NOTES RECEIVABLES

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Notes receivables	\$28,045	\$11,950	\$10,566
Less : loss allowance	<u>(—)</u>	<u>(—)</u>	<u>(—)</u>
Total	<u>\$28,045</u>	<u>\$11,950</u>	<u>\$10,566</u>

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(4) ACCOUNTS RECEIVABLES AND ACCOUNTS RECEIVABLES – AFFILIATES

(a) Details are as follows:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Accounts receivables	\$2,064,419	\$2,329,115	\$1,971,734
Add : pledged accounts receivable	190,579	—	140,509
Less : loss allowance	<u>(6,849)</u>	<u>(2,987)</u>	<u>(3,251)</u>
Subtotal	<u>2,248,149</u>	<u>2,326,128</u>	<u>2,108,992</u>

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Accounts receivables - affiliates	653,478	237,740	324,430
Less : loss allowance	(772)	(386)	(159)
Subtotal	652,706	237,354	324,271
Total	\$2,900,855	\$2,563,482	\$2,433,263

Please refer to Note 8 for the more details on part of accounts receivables under pledge.

- (b) Accounts receivables are generally on 30-150 day terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on impairment of accounts receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of accounts receivables and accounts receivables-affiliates for the nine-month ended September 30, 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As at Jan.1, 2017	—	\$5,237	\$5,237
Charge/(reversal) for the current period	—	(959)	(959)
Effect of exchange rate	—	—	—
Other changes	—	(868)	(868)
As at Sep.30, 2017	—	\$3,410	\$3,410

	Past due but not impaired				Total
	Neither past due nor impaired	61-90 days	91-120 days	>=121 days	
Dec. 31 , 2017	\$2,561,208	\$881	\$387	\$1,006	\$2,563,482
Sep. 30 , 2017	\$2,431,099	\$327	\$740	\$1,097	\$2,433,263

- (c) The Group signed loan agreements with the following banks and used its accounts receivable as securities for the loans. Certain of the Group's accounts receivables were under pledge to the banks. The details of the loan agreements are as follows :

Sep. 30, 2018

Bank	Contract period	Banking facility	Loan amount	Factored amount
Far Eastern Bank	August 20, 2018 ~ August 20, 2019	\$135,000	\$135,000	\$190,579

Dec. 31, 2017

Bank	Contract period	Banking facility	Loan amount	Factored amount
Far Eastern Bank	July 6, 2017 ~ July 6, 2018	\$135,000	—	—

Sep. 30, 2017

Bank	Contract period	Banking facility	Loan amount	Factored amount
Far Eastern Bank	July 6, 2017 ~ July 6, 2018	\$135,000	—	—

(5) INVENTORIES

(a) Details are as follows:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Raw materials	\$1,386,756	\$936,991	\$935,242
Supplies	100,443	86,849	78,613
Work in progress	179,692	242,917	346,566
Finished goods	40,966	161,135	92,420
Total	<u>\$1,707,857</u>	<u>\$1,427,892</u>	<u>\$1,452,841</u>

(b)

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Cost of inventories sold	\$3,920,192	\$3,431,322	\$10,777,873	\$10,122,847
Loss of write-down of inventories	18,925	25,110	35,510	41,125
Cost of goods sold	<u>\$3,939,117</u>	<u>\$3,456,432</u>	<u>\$10,813,383</u>	<u>\$10,163,972</u>

(c) As of September 30, 2018 and 2017, inventories were insured for \$12,413,844 thousand and \$10,735,143 thousand, respectively.

(d) No inventories were pledged.

(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON CURRENT

	Sep. 30, 2018	Dec. 31, 2017(Note)	Sep. 30, 2017(Note)
Equity instrument investments measured at fair value through other comprehensive income-Non-current :			
Unlisted companies stocks	<u>\$256,943</u>		

(Note) : The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income were not pledged.

(7) AVAILABLE-FOR-SALE FINANCIAL ASSETS— NON CURRENT

(a) Details are as follows:

	Sep. 30, 2018(Note)	Dec. 31, 2017	Sep. 30, 2017
Unlisted stocks		\$40,482	\$40,482
Add : Unrealized gains and losses		<u>175,055</u>	<u>225,508</u>
Total		<u>\$215,537</u>	<u>\$265,990</u>

(b) Stock details are as follows:

Investee Company	Type of stock	Sep. 30, 2018(Note)	Dec. 31, 2017	Sep. 30, 2017
ACTIONTEC	Common stock		\$102,023	\$126,367
ACTIONTEC	Preferred stock		<u>113,514</u>	<u>139,623</u>
Total			<u>\$215,537</u>	<u>\$265,990</u>

(Note) : The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(8) FINANCIAL ASSETS MEASURED AT COST –NON CURRENT

(a) Available-for-Sale Financial Assets

	Sep. 30, 2018(Note 1)	Dec. 31, 2017	Sep. 30, 2017
STRATEDGE		\$1,323	\$1,323
SPINERGY		—	—
GOLFWARE, INC.		—	—
Foreign stocks		4,557	4,562
SPARQTRON CORP. (Note)		31,366	—
Total		<u>\$37,246</u>	<u>\$5,885</u>

(Note) : The Group lost significant influence since October 2017, therefore, recognized the investment for financial assets measured at cost. Please refer to Note 6.(9) for more detail.

(Note 1) : The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(b) The Group adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

No financial assets measured at cost were pledged.

(9) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) The group investments accounted for using the equity method are as follows:

Investee Company	Type of stock	Sep. 30, 2018		Dec. 31, 2017		Sep. 30, 2017	
		Amount	Ownership	Amount	Ownership	Amount	Ownership
<u>Investments in associates:</u>							
OSE PROPERTIES, INC.	Common stock	—	39.99%	—	39.99%	—	39.99%
ATP ELECTRONICS, TAIWAN INC.	Common stock	\$426,029	18.31%	\$414,213	18.31%	\$406,830	18.52%
INFOFAB, INC.	Common stock	4,450	13.88%	5,074	14.85%	2,834	14.85%
SCS HIGHTECH INC.	Common stock	—	18.17%	—	18.17%	—	18.17%
SPARQTRON CORP. (Note)	Common stock	—	—	—	—	21,697	9.96%
Total		\$430,479		\$419,287		\$431,362	

(Note) : The Group lost significant influence since October 2017, therefore, recognized the investment for financial assets measured at cost. Please refer to Note 6.(9) for more detail.

- (b) In September 2006, shares of the investee company ATP were exchanged with ATP TAIWAN so that the Company would hold 15.13% ownership of ATP TAIWAN after the exchange. The Group had purchased 1,929 thousand shares of treasury stocks. So the Group held 18.31% ownership of ATP TAIWAN as at September 30, 2018.
- (c) SCS HIGHTECH INC. was written off as losses in 2004, and the company was rescinded based on the approval granted by Science Park Bureau on March 8, 2007 by Doc No.0960006126.
- (d) In March 2017, the Group lost control of the investee company SPARQTRON, but still has significant influence. Therefore, the investment accounted for using the equity method. In October 2017, the Group had not been the director of SPARQTRON and lost significant influence. Therefore, the investment accounted for financial assets measured at cost, and the Group recognized the investment by fair value. When losing significant influence, the amount of difference between book value and fair value plus selling price was \$872 thousand and classified under loss on disposal of investments.
- (e) Part of the shares in long-term equity investments has been pledged to the banks as securities for bank loans granted to the Group. Please refer to Note 8 for more details.
- (f) The Group's investments by using the equity method are not published price quotations.
- (g) Investments accounted for using the equity method of the Company and its subsidiaries, were \$430,479 thousand and \$431,362 thousand as at September 30, 2018 and 2017, respectively. For the three-month periods ended September 30, 2018 and 2017, the related shares of investment income from the associates were \$19,715 thousand and \$12,856 thousand, respectively. For the nine-month periods ended September 30, 2018 and 2017, the related shares of investment income from the associates were \$41,189 thousand and \$37,268 thousand, respectively, and the related shares of other comprehensive income from the associates were both \$0, which were based solely on the financial reports of other independent accountants.
- (h) The following table summarizes financial information of the investments in associates of the Group:

	Sep.30, 2018	Dec.31, 2017	Sep.30, 2017	
Total assets (100%)	\$3,730,542	\$3,032,959	\$3,471,729	
Total liabilities (100%)	\$1,752,504	\$1,112,327	\$1,413,218	
	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Revenue	\$1,446,503	\$1,123,508	\$3,590,392	\$3,140,793
Profit	\$108,412	\$72,211	\$212,653	\$192,344
Other Comprehensive income (loss)	\$544	(\$2,729)	\$12,857	(\$31,667)
Total Comprehensive Income	\$108,956	\$69,481	\$225,510	\$160,677

(10) PROPERTY, PLANT AND EQUIPMENT

(a)

			Machinery							Construction in progress and equipment awaiting examination	
	Land and land Improvements	Buildings	and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment		Total
Cost:											
As of Jan.1, 2018	—	\$6,951,055	\$15,716,783	\$5,216	\$67,024	\$279,342	\$158,211	—	\$368,331	\$17,108	\$23,563,070
Additions	—	—	3,577	—	103	—	—	—	2,694	299,385	305,759
Disposals	—	(14,399)	(63,063)	(717)	(128)	—	—	—	(910)	—	(79,217)
Transfers	—	46,385	598,393	—	—	—	(124,350)	—	7,769	(257,649)	270,548
Exchange differences	—	—	909	(82)	73	—	—	—	(484)	(1)	415
As of Sep. 30, 2018	—	\$6,983,041	\$16,256,599	\$4,417	\$67,072	\$279,342	\$33,861	—	\$377,400	\$58,843	\$24,060,575
Depreciation and impairment:											
As of Jan.1, 2018	—	\$4,125,549	\$11,250,823	\$3,914	\$63,913	\$125,518	\$51,565	—	\$295,122	—	\$15,916,404
Depreciation	—	161,545	833,634	381	721	5,014	14,248	—	19,709	—	1,035,252
Disposals	—	(14,378)	(29,790)	(717)	(115)	—	—	—	(852)	—	(45,852)
Transfers	—	—	54,935	—	—	—	(59,739)	—	—	—	(4,804)
Exchange differences	—	—	2,128	(62)	95	—	—	—	(244)	—	1,917
As of Sep. 30, 2018	—	\$4,272,716	\$12,111,730	\$3,516	\$64,614	\$130,532	\$6,074	—	\$313,735	—	\$16,902,917

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Rental assets	Leased assets	Leasehold improvements	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:											
As of Jan.1, 2017	\$35,856	\$7,030,483	\$18,108,900	\$8,945	\$97,500	\$279,342	\$759,230	\$19,686	\$409,005	\$126,561	\$26,875,508
Additions	—	1,116	4,355	111	204	—	—	—	957	57,629	64,372
Disposals	—	(99,862)	(425,230)	(861)	(14,531)	—	—	(4,266)	(47,245)	—	(591,995)
Transfers	—	69,369	706,566	—	—	—	(601,019)	—	2,457	(119,639)	57,734
Exchange differences	—	—	(26,027)	(69)	(1,257)	—	—	—	(209)	—	(27,562)
Subsidiaries derecognition effects	(35,856)	(111,222)	(199,847)	(2,954)	(14,625)	—	—	(15,420)	(933)	—	(380,857)
As of Sep. 30, 2017	<u>—</u>	<u>\$6,889,884</u>	<u>\$18,168,717</u>	<u>\$5,172</u>	<u>\$67,291</u>	<u>\$279,342</u>	<u>\$158,211</u>	<u>—</u>	<u>\$364,032</u>	<u>\$64,551</u>	<u>\$25,997,200</u>
Depreciation and impairment:											
As of Jan.1, 2017	—	\$4,011,383	\$12,936,991	\$5,619	\$88,212	\$118,833	\$212,329	\$14,665	\$312,515	—	\$17,700,547
Depreciation	—	171,969	888,967	372	704	5,014	17,280	70	20,575	—	1,104,951
Disposals	—	(99,787)	(374,812)	(301)	(14,462)	—	—	(1,226)	(43,043)	—	(533,631)
Transfers	—	—	183,756	—	—	—	(183,804)	—	—	—	(48)
Exchange differences	—	—	(25,591)	(37)	(1,205)	—	—	—	(164)	—	(26,997)
Subsidiaries derecognition effects	—	(10,932)	(157,809)	(1,859)	(9,425)	—	—	(13,509)	(514)	—	(194,048)
As of Sep. 30, 2017	<u>—</u>	<u>\$4,072,633</u>	<u>\$13,451,502</u>	<u>\$3,794</u>	<u>\$63,824</u>	<u>\$123,847</u>	<u>\$45,805</u>	<u>—</u>	<u>\$289,369</u>	<u>—</u>	<u>\$18,050,774</u>
Net carrying amount:											
As of Sep.30, 2018	<u>—</u>	<u>\$2,710,325</u>	<u>\$4,144,869</u>	<u>\$901</u>	<u>\$2,458</u>	<u>\$148,810</u>	<u>\$27,787</u>	<u>—</u>	<u>\$63,665</u>	<u>\$58,843</u>	<u>\$7,157,658</u>
As of Dec.31, 2017	<u>—</u>	<u>\$2,825,506</u>	<u>\$4,465,960</u>	<u>\$1,302</u>	<u>\$3,111</u>	<u>\$153,824</u>	<u>\$106,646</u>	<u>—</u>	<u>\$73,209</u>	<u>\$17,108</u>	<u>\$7,646,666</u>
As of Sep.30, 2017	<u>—</u>	<u>\$2,817,251</u>	<u>\$4,717,215</u>	<u>\$1,378</u>	<u>\$3,467</u>	<u>\$155,495</u>	<u>\$112,406</u>	<u>—</u>	<u>\$74,663</u>	<u>\$64,551</u>	<u>\$7,946,426</u>

(b) Affects both the cash and non-cash items of investing activities :

Items	For the 9-month periods ended September 30	
	2018	2017
Acquisition of property, plant, and equipment expenditure :		
Increase of property, plant and equipment	\$576,307	\$122,106
Increase (Decrease) of prepayment for equipment	125,312	(6,520)
(Increase) Decrease of payables on equipment	(149,003)	413,651
Cash expenditure	<u>\$552,616</u>	<u>\$529,237</u>

(c) Details of capitalized borrowing costs are as follows:

	For the 9-month periods ended September 30	
	2018	2017
Prepayments for equipment	\$2,315	\$1,937
Capitalisation rate of borrowing costs	2.8937% ~ 3.34722%	2.0800% ~ 3.2400%

(d) As of September 30, 2018 and 2017, fixed assets were insured for \$11,603,666 thousand and \$13,839,704 thousand, respectively.

(e) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(11) INVESTMENT PROPERTY

	Buildings
Cost :	
As of Jan.1, 2018	\$649,932
Transfers from other non-current assets	—
Exchange differences	16,368
As of Sep.30, 2018	<u>\$666,300</u>
As of Jan.1, 2017	\$703,838
Transfers from other non-current assets	—
Exchange differences	(42,994)
As of Sep.30, 2017	<u>\$660,844</u>

	<u>Buildings</u>
Depreciation and impairment :	
As of Jan.1, 2018	\$155,083
Depreciation	17,776
Transfers from other non-current assets	4,893
Exchange differences	3,922
As of Sep.30, 2018	<u>\$181,674</u>
As of Jan.1, 2017	\$63,019
Depreciation	18,117
Transfers from other non-current assets	—
Exchange differences	(4,164)
As of Sep.30, 2017	<u>\$76,972</u>
Net carrying amount :	
As of Sep.30, 2018	<u>\$484,626</u>
As of Dec.31, 2017	<u>\$494,849</u>
As of Sep.30, 2017	<u>\$583,872</u>

No investment properties were pledged.

The fair value of investment property is \$500,356 thousand, \$494,849 thousand and \$666,060 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. The fair value has been determined based on valuations performed by an independent appraiser and on transactions observable in the market. The investment property has no rent revenue.

(12) INTANGIBLE ASSETS

(a)As of September 30, 2018, December 31, 2017 and September 30, 2017, the cost of the computer software, original cost, accumulated amortization and amount of amortization in the book of the Group is listed as below:

	<u>Computer software</u>
Cost :	
As of Jan. 1, 2018	\$271,625
Addition	22,154
Transfer	—
Exchange differences	—
As of Sep. 30, 2018	<u>\$293,779</u>
As of Jan. 1, 2017	\$229,771
Addition	23,628
Transfer	15,466
Exchange differences	—
As of Sep. 30, 2017	<u>\$268,865</u>

	Computer software
Amortization :	
As of Jan. 1, 2018	\$191,945
Amortization	45,575
Exchange differences	8
As of Sep. 30, 2018	<u>\$237,528</u>
As of Jan. 1, 2017	\$133,794
Amortization	42,935
Exchange differences	58
As of Sep. 30, 2017	<u>\$176,787</u>
Net carrying amount :	
As of Sep. 30, 2018	<u>\$56,251</u>
As of Dec. 31, 2017	<u>\$79,680</u>
As of Sep. 30, 2017	<u>\$92,078</u>

(b) Amortization expense of intangible assets under the statement of comprehensive income:

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Operating costs	<u>\$9,390</u>	<u>\$9,249</u>	<u>\$28,089</u>	<u>\$25,282</u>
Operating expenses	<u>\$5,731</u>	<u>\$5,778</u>	<u>\$17,486</u>	<u>\$17,653</u>

(13) PREPAYMENTS

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Current assets — prepayments :			
Prepaid expenses	\$67,380	\$50,868	\$53,707
Other prepayments	8,155	5,522	7,371
Total	<u>\$75,535</u>	<u>\$56,390</u>	<u>\$61,078</u>
Non-current assets — prepayments for equipment :			
Prepayment for equipment	<u>\$205,265</u>	<u>\$79,953</u>	<u>\$27,143</u>

(14) LONG-TERM RECEIVABLES-AFFILIATES

(a) Details are as follows:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Loan receivables -PROPERTIES	\$94,711	\$92,384	\$93,935
Less : loss allowance	(—)	(—)	(—)
Net	<u>\$94,711</u>	<u>\$92,384</u>	<u>\$93,935</u>

(b) OSE PHILIPPINES, INC. lent USD 4,387 thousand to OSE PROPERTIES Inc. in July 31, 1996. OSE PROPERTIES Inc. disposed of part of the land and returned USD 1,285 thousand in the first quarter of 2015. The principal was USD 3,102 thousand as of September 30, 2018. The interest rates for the nine-month periods ended September 30, 2018 and 2017 were both 2.50%. The contract periods were 10 years and may be extended to another 10 years, if necessary.

(15) SHORT-TERM LOANS

(a) Details are as follows:

Items	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
L/C	\$664,884	\$382,699	\$516,123
Unsecured bank loans	2,017,663	1,809,979	1,929,887
Mortgage loans on machine and equipment	23,252	—	—
Total	<u>\$2,705,799</u>	<u>\$2,192,678</u>	<u>\$2,446,010</u>

(b) The range of interest rates, due dates and unused lines of credits:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Ranges of interest rates	1.14% ~ 3.59%	1.14% ~ 3.54%	1.14% ~ 2.78%
Due dates	November 30, 2018 ~ August 30, 2019	January 19, 2018 ~ December 31, 2018	November 30, 2017 ~ August 29, 2018
Unused lines of credits	\$1,160,030	\$1,600,591	\$1,497,417

(c) Please refer to Note 8 for more details on short-term loans.

(16) SHORT-TERM NOTES PAYABLE

(a) Details are as follows:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Par value of commercial papers	\$400,000	\$400,000	\$400,000
Less : Discount for short-term notes payable	(942)	(1,062)	(756)
Net	<u>\$399,058</u>	<u>\$398,938</u>	<u>\$399,244</u>

(b) The range of interest rates and the due dates:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Range of interest rates	1.650% ~ 2.088%	1.650% ~ 1.988%	1.65% ~ 2.03%
Due dates	October 29, 2018 ~ December 10, 2018	January 10, 2018 ~ November 23, 2018	November 24, 2017 ~ August 31, 2018

(17) LONG-TERM LOANS

(a) Details are as follows:

Items	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Mortgage loans	\$2,958,173	\$3,757,706	\$3,642,735
Less: Due within one year	(1,349,412)	(1,586,951)	(1,576,066)
Net	\$1,608,761	\$2,170,755	\$2,066,669

(b) The range of interest rates and the due dates:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Range of interest rates	1.80% ~ 4.20%	1.80% ~ 3.38%	1.92% ~ 3.13%
Due dates	November 12, 2018 ~ August 15, 2023	March 1, 2018 ~ July 28, 2021	November 10, 2017 ~ July 28, 2021

(c) Part of property, plant and equipment and reserve deposit are pledged as security for the Group's long-term borrowings. Please refer to Note 8 for more details.

(18) LONG-TERM LEASE PAYABLE

The Group has finance leases contracts for various items of machinery. These leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Sep. 30, 2018		Dec. 31, 2017		Sep. 30, 2017	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	\$10,266	\$10,205	\$24,835	\$24,495	\$39,191	\$38,433
After one year but not more than five years	13	—	69	56	76	75
Total minimum lease payments	10,279	10,205	24,904	24,551	39,267	38,508
Less : finance charges on finance lease	(74)	—	(353)	—	(759)	—
Present value of minimum lease payments	\$10,205	\$10,205	\$24,551	\$24,551	\$38,508	\$38,508
Current		\$10,205		\$24,495		\$38,433
Non-current		—		\$56		\$75

(19) POST-EMPLOYMENT BENEFITS

(a) Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2018 and 2017 are \$25,953 thousand and \$24,071 thousand, respectively; for the nine-month periods ended September 30, 2018 and 2017 are \$75,738 thousand and \$74,462 thousand, respectively.

(b) Defined benefits plan

Costs under the defined benefits plan for the three-month periods ended September 30, 2018 and 2017 are \$14,796 thousand and \$11,812 thousand, respectively; for the nine-month periods ended September 30, 2018 and 2017 are \$45,021 thousand and \$37,675 thousand, respectively.

(20) EQUITY

(a) Common stock

- i. The Company had increased capital by cash by \$1,800,000 thousand with par value \$10 per share and issued price \$9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. Ownership of shares by private placement cannot be transferred to others within three years since issuance per Security and Exchange regulations.
- ii. The board of directors of the Company agreed on June 21, 2011 to increase capital by issuing common stocks for cash in order to repay loan and improve the Company financial structure. A total of 200,000 thousand shares of common stocks, with face value of \$10 per share, will be issued for a total of \$2,000,000 thousand. Approval has been granted by Financial Supervisory Commission on July 22, 2011 by Doc No. 1000030977. As of August 2, 2011, the board of directors agreed stocks will be issued with the issuance price of NTD 6.4 per share with the official issuance date of September 5, 2011. As of September 19, 2011, registration for the issuance of new stocks is complete.
- iii. The Board of shareholders' meeting of the Company agreed on June 29, 2018 to reduce capital \$2,536,872 thousand for cover accumulated deficits in order to improve the Company's financial structure. The ratio of reduction capital was 31.4742285%, and it was declared effective by Financial Supervisory Commission on August 8, 2018. The record date for reverse split was at September 30, 2018, and the amendment of registration was completed at October 8, 2018.
- iv. As of September 30, 2018, December 31, 2017 and September 30, 2017, the authorized capitals were \$20,000,000 thousand. Issued capital were \$5,523,285 thousand, 8,060,158 thousand and 8,060,158 thousand, with 552,328,533 shares, 806,015,782 shares and 806,015,782 shares respectively. Each share is at par value of NT\$10.

(b) Additional paid-in capital

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Form shares of changes in equities of subsidiaries	\$5,832	\$6,712	\$6,047
The differences between the fair value of consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries	16,940	16,940	16,940
Share of changes in net assets of associates and joint ventures accounted for using the equity method	(2,419)	(2,232)	(1,119)
Total	\$20,353	\$21,420	\$21,868

- i. According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Additional paid-in capital arising from long-term equity investment cannot be used for any purpose.
- ii. According to the prevailing laws and regulations, each year, the amount of capital increase transferred from capital reserve arising from premiums on issuance of capital stock and donations cannot exceed 10% of the Company's total issued capital.

(c) Retained earnings and dividend policies

According to the Company's original Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- I. Payment of all taxes and dues;
- II. Offset prior years' operation losses;
- III. Set aside 10% of the remaining amount as legal reserve;
- IV. Set aside or reverse special reserve in accordance with the requirements for operating and law and regulations;
- V. The remaining balance combined with the undistributed earnings accumulated during previous years shall be distributed to the shareholders as dividends.

The Company shall take into account the changing environment of the industry and development stage of the Company in meeting the needs of capital in the future and in establishing long-term financial planning together with satisfying the shareholders' demand for cash. The earnings distributed for the current year shall not be lower than 10% of accumulated distributable earnings and shall not be distributed if the accumulated distributable earnings is lower than 1% of contributed capital. Cash dividends distributed shall not be lower than 10% of the dividends distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Board of shareholders' meeting on June 29, 2018 and June 15, 2017, respectively. The Company still had accumulated deficit. As a result the Company did not distribute earnings.

Please refer to Note 6.(25) for further details on employees' compensation and remuneration to directors and supervisors.

(d) Non-controlling interests

	For the 9-month period ended September 30	
	2018	2017
Beginning balance	—	\$192,208
Attributable to non-controlling interests		
Consolidated net (loss)	—	(1,227)
Increase in non-controlling interests	—	3,120
Other comprehensive (loss)	—	(1,893)
Subsidiaries derecognition effects	—	(192,208)
Ending balance	—	—

(21) OPERATING REVENUE

The details are as follows:

	For the 3-month period ended September 30		For the 9-month period ended September 30	
	2018	2017	2018(Note)	2017
Revenue from contracts with customers				
Sale of goods	\$3,964,093	\$3,376,797	\$10,559,555	\$9,828,714
Revenue arising from rendering of services	125,202	85,005	345,990	259,695
Income on sale of material	23,023	88,099	76,121	234,307
Total	<u>\$4,112,318</u>	<u>\$3,549,901</u>	<u>\$10,981,666</u>	<u>\$10,322,716</u>

(Note) : The Group has adopted IFRS 15 from January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018)

The Group has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

(a) Disaggregation of revenue

For the 3-month period ended September 30, 2018	Semiconductor Group	EMS Group	Total
Sales of goods	\$2,288,349	\$1,675,744	\$3,964,093
Rendering of Services	125,202	—	125,202
Sales of materials	1,594	21,429	23,023
Total	<u>\$2,415,145</u>	<u>\$1,697,173</u>	<u>\$4,112,318</u>
Timing of revenue recognition:			
At a point in time	\$126,796	\$1,697,173	\$1,823,969
Over time	2,288,349	—	2,288,349
Total	<u>\$2,415,145</u>	<u>\$1,697,173</u>	<u>\$4,112,318</u>

For the 9-month period ended September 30, 2018	Semiconductor Group	EMS Group	Total
Sales of goods	\$6,019,071	\$4,540,484	\$10,559,555
Rendering of Services	345,990	—	345,990
Sales of materials	13,149	62,972	76,121
Total	<u>\$6,378,210</u>	<u>\$4,603,456</u>	<u>\$10,981,666</u>
Timing of revenue recognition:			
At a point in time	\$359,139	\$4,603,456	\$4,962,595
Over time	6,019,071	—	6,019,071
Total	<u>\$6,378,210</u>	<u>\$4,603,456</u>	<u>\$10,981,666</u>

(b) Contract balances

i. Contract assets-current

	Jan. 1, 2018	Sep. 30, 2018	Difference
Sales of goods	<u>\$212,604</u>	<u>\$237,918</u>	<u>\$25,314</u>

As of September 30, 2018, the Group does not have an unconditional right to receive the consideration in the contract of to \$237,918 thousand and transferred to accounts receivables at the reporting date.

ii. Contract liabilities-current

	Jan. 1, 2018	Sep. 30, 2018	Difference
Sales of goods	<u>\$51,752</u>	<u>\$18,155</u>	<u>(\$33,597)</u>

As of September 30, 2018, \$16,493 thousand included in the current contract liability balance at the beginning of the period was recognized as revenue during the period.

iii. Transaction price allocated to unsatisfied performance obligations

None.

iv. Assets recognized from costs to fulfil a contract

None.

(22) Expected credit losses

	3-month period ended September 30		9-month period ended September 30	
	2018	2017(Note)	2018	2017(Note)
Operating expenses- expected credit losses				
Accounts receivable and contract assets	<u>\$778</u>		<u>\$4,240</u>	

(Note) : The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and accounts receivables at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at September 30, 2018 is as follow:

The Group considers the grouping of contract assets and accounts receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follow:

Semiconductor

Group	Overdue						Total
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
Gross carrying amount	\$1,844,755	\$175,618	\$19,103	\$2,372	\$1,592	\$2,961	\$2,046,401
Loss ratio	0%~0.08%	0%~1.10%	0%~8.62%	0%~38.33%	0.01%~90.60%	100%	
Lifetime expected credit losses	594	387	462	909	1,423	2,961	6,736
Carrying amount of trade receivables	<u>\$1,844,161</u>	<u>\$175,231</u>	<u>\$18,641</u>	<u>\$1,463</u>	<u>\$169</u>	<u>—</u>	<u>\$2,039,665</u>

EMS Group	Overdue						Total
	Not yet due (Note)	Within 30 days	31-60 days	61-90 days	91-180 days	After 181 days	
Gross carrying amount	\$1,101,898	\$23,476	\$1,644	\$333	—	\$687	\$1,128,038
Loss ratio	0%~0.01%	0%~0.13%	0%~1.87%	0%~16.56%	0%~47.85%	100%	
Lifetime expected credit losses	108	24	12	54	—	687	885
Carrying amount of trade receivables	\$1,101,790	\$23,452	\$1,632	\$279	—	—	\$1,127,153

The movement in the provision for impairment of contract assets and accounts receivables during the nine-month period ended September 30, 2018 is as follows:

	Accounts receivable and contract assets
Beginning balance (in accordance with IAS 39)	\$3,373
Transition adjustment to retained earnings	—
Beginning balance (in accordance with IFRS 9)	3,373
Addition for the current period	4,240
Exchange differences	8
Ending balance	\$7,621

(23) LEASES

Operating lease commitments – Group as lessee

(a) Rental Agreement

The Company has entered into a series of land rental agreements with the government which will expire between January 31, 2020 and April 30, 2025. The Company could apply for lease renewal three months prior to the expiry date. If the Company fails to do so, the land shall be returned to the government and the building on the land shall be sold to another approved exporting enterprise within six months after the expiry date. If the Company fails to complete all the above-mentioned procedures within the prescribed six months, the government has the right to dispose the property on the land on the behalf of the Company. The government has the right to adjust the rent based on the publicly announced land value. The government also has the right to terminate the contract if the Company breaches the contract or fails to pay the rent over four months or violates the civil law or the land law.

The Group has signed non-cancellable operating leases. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable as at September 30, 2018, December 31, 2017 and September 30, 2017 are as follows:

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Within one year	\$13,135	\$10,375	\$11,469
After one year but not more than five years	35,462	22,380	23,494
More than five years	28,309	9,665	10,742
Total	<u>\$76,906</u>	<u>\$42,420</u>	<u>\$45,705</u>

(b) Recognized as an expense :

For the nine-month periods ended September 30, 2018 and 2017, the rental expenses were both \$9,851 thousand, respectively.

(24) AMORTIZATION EXPENSE AND OPERATING LEASE EXPENSES IN THE STATEMENT OF COMPREHENSIVE INCOME

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Included in operating costs :				
Amortization expense of intangible assets	\$9,390	\$9,249	\$28,089	\$25,282
Minimum lease payments recognized as operating lease expenses	\$7,262	\$7,498	\$21,853	\$22,658
Included in operating expenses :				
Amortization expense of intangible assets	\$5,731	\$5,778	\$17,486	\$17,653
Minimum lease payments recognized as operating lease expenses	\$3,547	\$3,405	\$10,650	\$9,789

(25) SUMMARY STATEMENTS OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION

	For the 3-month periods ended September 30					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$594,203	\$97,083	\$691,286	\$511,855	\$85,609	\$597,464
Pension	\$34,159	\$6,590	\$40,749	\$30,064	\$5,755	\$35,819
Labor and health insurance	\$66,822	\$10,744	\$77,566	\$58,439	\$9,587	\$68,026
Other employee benefits expense	\$38,298	\$12,811	\$51,109	\$36,923	\$11,674	\$48,597
Depreciation	\$338,472	\$15,417	\$353,889	\$347,906	\$15,005	\$362,911
Amortization	\$9,390	\$5,731	\$15,121	\$9,249	\$5,778	\$15,027

	For the 9-month periods ended September 30					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,707,961	\$273,643	\$1,981,604	\$1,575,195	\$265,211	\$1,840,406
Pension	\$101,465	\$19,294	\$120,759	\$94,484	\$17,653	\$112,137
Labor and health insurance	\$191,401	\$31,517	\$222,918	\$179,698	\$29,207	\$208,905
Other employee benefits expense	\$112,930	\$37,564	\$150,494	\$113,044	\$35,857	\$148,901
Depreciation	\$1,008,450	\$45,581	\$1,054,031	\$1,076,255	\$50,568	\$1,126,823
Amortization	\$28,089	\$17,486	\$45,575	\$25,282	\$17,653	\$42,935

According to the resolution, the employee's compensation and remuneration to directors and supervisors is based on the current year's earnings, which should be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed: 8%~12% as employees' compensation, and no more than 3% as remuneration to directors and supervisors.

The distribution ratio of employee's compensation and remuneration to directors and supervisors and employee's compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Cash or stock dividends as bonus to employees shall only be given to employees who satisfy certain conditions.

During the nine-month periods ended September 30, 2018, the Company estimated Employees' compensation and rewards for Directors and Supervisors based on profit situation. As at September 30, 2018, the Company still had accumulated deficit. As a result the Company's recognized amounts of Employees' compensation and rewards for Directors and Supervisors for the nine-month periods ended September 30, 2018 was \$0.

The estimated employee bonuses and remuneration to directors and supervisors for the nine-month periods ended September 30, 2017 were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remuneration to directors and supervisors for the nine-month periods ended September 30, 2017 are recognized as employee benefits expense for the period. If the Board modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of stocks distributed as employee bonuses was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend. As of nine-month periods ended September 30, 2017, the Company still had accumulated deficit. As a result the Company's expected amounts of Employees' bonuses and rewards for Directors and Supervisors for the nine-month periods ended September 30, 2017 was \$0.

As of September 30, 2018 and 2017, the total number of employees of the Group were 6,937 and 6,204, respectively.

Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(26) NON-OPERATING INCOME AND EXPENSES

(a) Other income

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Rental income	\$6,228	\$6,192	\$18,994	\$18,579
Interest income	1,232	1,250	7,056	4,603
Dividend income	—	3,677	—	3,677
Other income	11,929	23,947	31,741	54,088
Total	<u>\$19,389</u>	<u>\$35,066</u>	<u>\$57,791</u>	<u>\$80,947</u>

(b) Other gains and losses

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Gains on disposal of property, plant and equipment	(\$187)	\$930	\$3,356	\$19,449
Foreign exchange gains (losses), net	(1,171)	2,581	15,063	(37,741)
Gains on financial assets at fair value through profit or loss	—	25,014	7,371	47,605
Other losses	(248)	(485)	(271)	(485)
Total	<u>(\$1,606)</u>	<u>\$28,040</u>	<u>\$25,519</u>	<u>\$28,828</u>

(c) Finance costs

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Interest on borrowings from bank	(\$30,207)	(\$32,132)	(\$94,258)	(\$102,889)
Interest on borrowings from others	(152)	(577)	(876)	(3,753)
Total	<u>(\$30,359)</u>	<u>(\$32,709)</u>	<u>(\$96,134)</u>	<u>(\$106,642)</u>

(27) COMPONENTS OF OTHER COMPREHENSIVE INCOME

For the 3-month periods ended September 30, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	—	—	—	—	—
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(\$4,240)	—	(\$4,240)	\$848	(\$3,392)
Total of other comprehensive income	(\$4,240)	—	(\$4,240)	\$848	(\$3,392)

For the 3-month periods ended September 30, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(\$1,712)	—	(\$1,712)	\$291	(\$1,421)
Unrealized gain from available-for-sale financial assets	—	—	—	—	—
Total of other comprehensive income	(\$1,712)	—	(\$1,712)	\$291	(\$1,421)

For the 9-month periods ended September 30, 2018

		Reclassification	Other	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
	Arising during the period	adjustments during the period	comprehensive income, before tax		
Not to be reclassified to profit or loss in subsequent periods:					
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	—	—	—	(\$5,252)	(\$5,252)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$12,649	—	\$12,649	(6,443)	6,206
Total of other comprehensive income	\$12,649	—	\$12,649	(\$11,695)	\$954

For the 9-month periods ended September 30, 2017

		Reclassification	Other	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
	Arising during the period	adjustments during the period	comprehensive income, before tax		
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(\$56,723)	—	(\$56,723)	\$9,321	(\$47,402)
Unrealized gain from available-for-sale financial assets	—	—	—	—	—
Total of other comprehensive income	(\$56,723)	—	(\$56,723)	\$9,321	(\$47,402)

(28) INCOME TAX

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

(a) The major components of income tax expense are as follows:

i. Income tax expense (income) recognized in profit or loss

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Current income tax (expense):				
Current income tax charge	(\$2,113)	(\$2,561)	(\$6,930)	(\$11,123)
Adjustments in respect of current income tax of prior periods	—	—	(100)	—
Deferred tax (expense) income:				
Deferred tax (expense) relating to origination and reversal of temporary differences	(574)	(34,555)	(76,795)	(37,831)
Deferred tax income relating to origination and reversal of tax loss and tax credit	13,152	14,898	107,645	99,279
Deferred tax income relating to change in tax rate	—	—	255,338	—
Total income tax benefit	<u>\$10,465</u>	<u>(\$22,218)</u>	<u>\$279,158</u>	<u>\$50,325</u>

ii. Income tax relating to components of other comprehensive income

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Deferred tax (expense) income:				
Unrealized (gains) losses from equity instruments investments measured at fair value through other comprehensive income	—	—	—	—
Exchange differences on translation of foreign operations	\$848	\$291	(\$2,529)	\$9,321
Deferred tax income relating to change in tax rate	—	—	(9,166)	—
Income tax relating to components of other comprehensive (expense) income	<u>\$848</u>	<u>\$291</u>	<u>(\$11,695)</u>	<u>\$9,321</u>

(b) The assessment of income tax returns

As of September 30, 2018, the assessment of the income tax returns of the Company and its subsidiaries is as follows :

	The assessment of income tax returns
The Company	Assessed and approved up to 2016

(29) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retrospectively for the capital reduction implemented to offset accumulated deficits, the earnings per share adjusted for the proposed retrospective adjustment are as below :

Basic earnings per share :

	For the 3-month periods		For the 9-month periods	
	ended September 30		ended September 30	
	2018	2017	2018	2017
(Loss) attributable to ordinary equity holders of the Company (Expressed in thousand NT\$)	(\$31,372)	(\$93,841)	(\$172,533)	(\$412,404)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	552,329	552,329	552,329	552,329
Basic (losses) per share (Expressed in NT\$)	(\$0.06)	(\$0.17)	(\$0.31)	(\$0.75)

The Board of shareholders' meeting of the company agreed on June 29, 2018 to issue restricted stocks for employees, and it is unimplemented before the release of the financial statements.

(30) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the nine-month periods ended September 30, 2018:

	January 1, 2018	Cash Flows	Foreign exchange	Others	September 30, 2018
Short-term loans	\$2,192,678	\$512,834	\$603	(\$316)	\$2,705,799
Long-term loans	\$3,757,706	(\$805,579)	\$5,238	\$808	\$2,958,173
Lease Payable	\$24,551	(\$14,346)	—	—	\$10,205
Guarantee deposits	\$3,574	(\$53)	—	—	\$3,521
Short-term notes payable	\$398,938	\$120	—	—	\$399,058

For the nine-month periods ended September 30, 2017:

Not applicable.

(31) INFORMATION OF SUBSIDIARY DERECOGNITION

On August 23, 2016 the Company sold 12,350,000 shares of SPARQTRON to Diamond Creative Holding Limited, reducing its shareholding ratio to 9.96%. As at December 31, 2016, despite holding less than 50% of the voting rights, the Company determined that it still had control over SPARQTRON. From the beginning of investment in SPAQTRON, the Company has been the single largest shareholder of SPAQTRON. The Company and its related parties jointly hold more than 50% ownership. Therefore, the Company is capable of leading decision-making activities at shareholders' meetings and exercising substantial control. During the three-month period ended 31 March 2017, the Company lost majority interest because of the change of the related parties. As a result, the Company lost control of SPAQTRON in March, 2017. Though, the Company and the related parties jointly hold less than 50% of shareholding rights, but remained the board members. The Company still has material influence and recognized the investments using the equity method.

In March 2017, the Company lost control of the investee company SPARQTRON, but still has significant influence. Therefore, the investment accounted for using the equity method. In October 2017, the Company had not been the director of SPARQTRON and lost significant influence. Therefore, the investment accounted for financial assets measured at cost, and the Company recognized the investment by fair value. When losing significant influence, the amount of difference between book value and fair value plus selling price was \$872 thousand and classified under loss on disposal of investments.

(a) Analysis of assets and liabilities of lost control

Current asset

	Book Value
Cash and cash equivalents	\$98,513
Accounts receivables	31,380
Inventories	41,670
Other current asset	50,077

Non-Current asset

Property, plant and equipment	186,809
Financial assets measured at cost	3,037
Investment	2,259
Other non-current asset	7,891

Current liability

	Book Value
Short-term loans	(22,575)
Accounts payable	(38,302)
Long-term loans due within one year	(9,677)
Other current liability	(17,163)

Non-current liability

Long-term loans	(110,655)
Total net assets	\$223,264

(b) Gain on subsidiary derecognition

Fair value of the investment		\$31,056
Less: Book value of the investment		
Net assets of derecognition	223,264	
Non-controlling interests	(192,208)	
		31,056
Gain on subsidiary derecognition		—

(c) Cashflow of subsidiary derecognition

Cash and cash equivalents of derecognition	\$98,513
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7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
ATP Electronics Taiwan Inc.(ATP)	Associate
INFOFAB, INC.(INFO)	Associate
OSE PROPERTIES, INC.(PROPERTIES)	Associate
Phison Electronics Corporation (PHISON)	Legal Director of the Company
Longsys Electronics (TAIWAN) Co., Ltd.(LONGSYS)	Legal Director of the Company
Longsys (HK) Electronics Co., Ltd.(LONGSYS)	Associate of Legal Director of the Company
Chin-Hsing Investment Co., Ltd.(CHIN-HSING)	Substantive related party
Yuan-Jen Investment Corp.(YUAN-JEN)	Substantive related party
DIAMOND DIGITAL CORPORATION	Substantive related party(No longer listed as a related party in the fourth quarter in 2017)

(a) Significant transactions with related parties :

i. Sales

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Associates	\$57,003	\$43,271	\$133,676	\$116,019
PHISON	415,819	294,857	973,203	813,107
LONGSYS	284,956	151,914	625,831	439,838
Substantive related parties	—	—	—	62,072
Total	<u>\$757,778</u>	<u>\$490,042</u>	<u>\$1,732,710</u>	<u>\$1,431,036</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The details of credit period are 30~60 days. The outstanding balance at September 30, 2018 and 2017 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

ii. Purchase

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Associates	—	\$3,497	—	\$9,621
Substantive related parties	—	302	—	4,792
Total	<u>—</u>	<u>\$3,799</u>	<u>—</u>	<u>\$14,413</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers.

iii. Accounts Receivable

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
ATP	\$44,460	\$31,621	\$32,034
PHISON	312,057	85,529	112,339
LONGSYS	296,961	120,590	163,316
Substantive related parties	—	—	16,741
Less: loss allowance	(772)	(386)	(159)
Total	<u>\$652,706</u>	<u>\$237,354</u>	<u>\$324,271</u>

iv. Other Receivable

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
ATP	\$1,250	\$809	\$906
INFO	737	273	277
Key management personnel of the Group	1,720	1,450	1,997
Substantive related parties	—	—	2,312
PROPERTIES	45,410	42,563	42,690
Total	<u>\$49,117</u>	<u>\$45,095</u>	<u>\$48,182</u>

v. Accounts Payable

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
INFO (Note)	\$6,267	\$18,437	\$22,355
Associates	—	—	1,665
PHISON	48	10	77
Substantive related parties	—	—	2,114
Total	<u>\$6,315</u>	<u>\$18,447</u>	<u>\$26,211</u>

(Note): The payments are the purchase of computer software and information system maintenance.

vi. Transaction of properties

For the 9-month periods ended September 30, 2018:

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
INFO	Other equipment	\$1,349	Not applicable	Negotiate
INFO	Computer software	3,496	Not applicable	Negotiate
	Total	<u>\$4,845</u>		

For the 3-month periods ended September 30, 2018:

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
Purchase				
INFO	Other equipment	\$510	Not applicable	Negotiate
INFO	Computer software	2,675	Not applicable	Negotiate
	Total	<u>\$3,185</u>		

For the 9-month periods ended September 30, 2017:

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
<u>Purchase</u>				
INFO	Buildings	\$713	Not applicable	Negotiate
INFO	Other equipment	2,014	Not applicable	Negotiate
INFO	Computer software	18,698	Not applicable	Negotiate
	Total	<u>\$21,425</u>		

Counterparty	Property	Unreduced balance	Sale price	Gain (loss) on sales of assets	The basis of transaction price
<u>Sales</u>					
DIAMOND	Machinery and equipment	\$43,523	\$55,751	\$12,228	Negotiate
DIAMOND	Transportation equipment	559	559	—	Negotiate
DIAMOND	Leasehold improvements	3,040	3,040	—	Negotiate
DIAMOND	Other equipment	4,190	10,687	6,497	Negotiate
	Total	<u>\$51,312</u>	<u>\$70,037</u>	<u>\$18,725</u>	

For the 3-month periods ended September 30, 2017

Counterparty	Property	Amount	Gain (loss) on sales of assets	The basis of transaction price
<u>Purchase</u>				
INFO	Other equipment	\$1,113	Not applicable	Negotiate

vii. Intercompany borrowing

<u>Sep. 30, 2018</u>				
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
PROPERTIES	\$94,711	\$94,711		
	<u>(USD3,102 thousand)</u>	<u>(USD3,102 thousand)</u>	<u>2.50%</u>	<u>\$1,743</u>

Dec. 31, 2017				
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
PROPERTIES	\$92,384	\$92,384		
	(USD3,102 thousand)	(USD3,102 thousand)	2.50%	\$2,374
Amount borrowed from: (included in other payable-affiliates accounts)				
Substantive related parties	\$245,000	—	—	—

Sep. 30, 2017				
Related parties	Maximum amount	Amount	Interest rates	Interest income (expense)
Amount lent to: (included in long-term receivables-affiliates accounts)				
PROPERTIES	\$93,935	\$93,935		
	(USD3,102 thousand)	(USD3,102 thousand)	2.50%	\$1,792
Amount borrowed from: (included in other payable-affiliates accounts)				
Substantive related parties	\$245,000	—	—	—

viii. Compensation of key management personnel

	For the 3-month periods ended September 30		For the 9-month periods ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$9,941	\$7,646	\$25,741	\$23,554
Post-employment benefits	162	179	486	477
Total	\$10,103	\$7,825	\$26,227	\$24,031

For details of total compensation paid to the Company's key management personnel, please refer to the annual report for the Company.

ix. Other disclosures

- (A) PROPERTIES had borrowed USD \$3,102 thousand from subsidiary and provided all of real estates to trust as the mortgage for financing bank.
- (B) As of September 30, 2018 and 2017, the Group paid INFO \$92 thousand and \$6,425 thousand, \$29,890 thousand and \$1,314 thousand service fees and computer operating expenses, respectively, which are accounted for as maintenance expenses and computer operating expenses. As at September 30, 2018 the unpaid maintenance expenses amounted to \$0 thousand.

(C) The rental incomes from Associates for machinery and equipment and furniture and fixtures are as follows :

	For the 3-month periods ended		For the 9-month periods ended	
	September 30		September 30	
	2018	2017	2018	2017
ATP	\$1,065	\$1,065	\$3,194	\$3,194
INFO	735	735	2,205	2,205
Substantive related parties	11	11	32	32
Total	<u>\$1,811</u>	<u>\$1,811</u>	<u>\$5,431</u>	<u>\$5,431</u>

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

Assets pledged as security	Carrying amount			Secured liabilities details
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017	
Accounts Receivables–Short-term	\$190,579	—	—	Short-term borrowings
Accounts Receivables–Long-term	—	—	\$140,509	Long-term borrowings
Other financial assets–current–time deposits	199,377	\$389,832	331,074	Short&Long-term borrowings
Other financial assets–current–deposits reserved for repayment	163,179	121,128	119,299	Short&Long-term borrowings
Investments accounted for using the equity method –ATP	368,899	358,667	352,275	Short-term borrowings
Property, plant and equipment–Buildings	898,386	919,768	927,362	Short&Long-term borrowings
Property, plant and equipment–Machinery and equipment	2,506,409	3,013,675	3,175,913	Short&Long-term borrowings
Property, plant and equipment–Leased assets	27,787	106,646	112,406	Short&Long-term borrowings
Property, plant and equipment–Assets leased to others–Buildings	147,415	—	—	Long-term borrowings
Refundable deposits-time deposits	183,698	182,572	132,568	Customs Guarantee or others
Total	<u>\$4,685,729</u>	<u>\$5,092,288</u>	<u>\$5,291,406</u>	

9. COMMITMENTS AND CONTINGENCIES

- (1) Guarantee given by the banks for the payment of input tax imposed for sales from a tax free zone to non-tax free zone amounted to \$400,000 thousand.
- (2) The Company issued promissory notes of \$8,668,808 thousand as guarantees for bank loans.
- (3) The Company issued promissory notes of \$40,762 thousand as guarantee for finance lease.
- (4) The Company issued promissory notes of \$7,675 thousand as guarantee for payments of raw materials and machineries purchased.
- (5) The Company issued promissory notes of \$20,170 thousand as guarantee for project.
- (6) The Company has acted as a subcontractor for processing electronic products and provided storage services for outsiders. As of September 30, 2018, the Company kept the processed electronic parts of \$9,650,656 thousand and raw materials of \$550,924 thousand on custodian.
- (7) As of September 30, 2018, the Company had opened an unused letter of credit amounting to USD 79 thousand and JPY 78,273 thousand.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. FINANCIAL INSTRUMENTS

- (1) Categories of financial instruments

<u>Financial assets</u>	<u>Sep. 30, 2018</u>	<u>Dec. 31, 2017</u>	<u>Sep. 30, 2017</u>
Designated at fair value through profit or loss at initial recognition	—	\$30,813	\$42,023
Financial assets at fair value through other comprehensive income	\$256,943	(Note1)	(Note1)
Available-for-sale financial assets -Non current (including financial assets measured at cost in balance sheet) (Note2)	(Note1)	252,783	271,875
Financial assets measured at amortized cost :			
Cash and cash equivalents (exclude cash on hand)	929,576	1,293,963	1,394,435
Notes, accounts and other receivables	3,015,479	2,676,397	2,560,819
Long-term receivables-Affiliates	94,711	92,384	93,935
Subtotal	4,039,766	4,062,744	4,049,189
Total	<u>\$4,296,709</u>	<u>\$4,346,340</u>	<u>\$4,363,087</u>

Financial liabilities

	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Financial liabilities at amortized cost :			
Short-term borrowings	\$2,705,799	\$2,192,678	\$2,446,010
Short-term notes payable	399,058	398,938	399,244
Notes, accounts and other payable	4,807,919	3,940,831	3,748,334
Long-term loans (including current portion)	2,958,173	3,757,706	3,642,735
Lease payable (including current portion)	10,205	24,551	38,508
Total	<u>\$10,881,154</u>	<u>\$10,314,704</u>	<u>\$10,274,831</u>

(Note1): The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(Note2): Balances as at December 31, 2017 and September 30, 2017 including financial assets measured at cost.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD and foreign currency JPY.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Risks of pre-tax Sensitivity analysis is as follows:

For the 9-month periods ended September 30, 2018

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency $\pm 1\%$	\pm 10,176 thousand
	NTD/JPY Foreign currency $\pm 1\%$	\pm 283 thousand
Interest rate risk	Market rate ± 10 fundamental proposition	\pm 5,664 thousand
Equity price risk	Market price ± 10 fundamental proposition	\pm 2,569 thousand

For the 9-month periods ended September 30, 2017

Key risk	Variation	Sensitivity of profit and loss
Foreign currency risk	NTD/USD Foreign currency $\pm 1\%$	\pm 7,849 thousand
	NTD/JPY Foreign currency $\pm 1\%$	\pm 326 thousand
Interest rate risk	Market rate ± 10 fundamental proposition	\pm 6,089 thousand
Equity price risk	Market price ± 10 fundamental proposition	\pm 3,139 thousand

Please refer to Note 12.(7) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of September 30, 2018, December 31, 2017 and September 30, 2017, amounts receivables from top ten customers represent 75.26%, 72.36% and 68.00% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings, convertible bonds and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of Sep. 30, 2018					
Borrowings	\$4,058,257	\$1,608,761	—	—	\$5,667,018
Short-term notes payable	\$399,058	—	—	—	\$399,058
Lease payable	\$10,266	\$13	—	—	\$10,279
As of Dec. 31, 2017					
Borrowings	\$3,781,483	\$2,010,755	\$160,000	—	\$5,952,238
Short-term notes payable	\$399,244	—	—	—	\$399,244
Lease payable	\$24,835	\$69	—	—	\$24,904
As of Sep. 30, 2017					
Borrowings	\$4,023,765	\$1,834,669	\$232,000	—	\$6,090,434
Short-term notes payable	\$399,244	—	—	—	\$399,244
Lease payable	\$39,191	\$76	—	—	\$39,267

(6) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments :

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities :

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, accounts receivables, accounts payable and other current liabilities whose carrying amount approximate their fair value, the fair value of the Group's financial assets and financial liabilities measured at amortized cost is listed in the table below:

	Carrying amount		
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Financial assets			
Long-term receivables-affiliates	\$94,711	\$92,384	\$93,935
Financial liabilities			
Long-term borrowings	\$2,958,173	\$3,757,706	\$3,642,735
Lease payable	\$10,205	\$24,551	\$38,508
	Fair Value		
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Financial assets			
Long-term receivables-affiliates	\$94,711	\$92,384	\$93,935
Financial liabilities			
Long-term borrowings	\$2,958,173	\$3,757,706	\$3,642,735
Lease payable	\$10,205	\$24,551	\$38,508

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

(a) Fair value measurement hierarchy:

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3: Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities:

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of Sep. 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument	—	\$41,406	\$215,537	\$256,943

As of Dec. 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$30,813	—	—	\$30,813
Available-for-sale financial assets				
Equity securities	—	—	\$215,537	\$215,537

As of Sep. 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Stocks	\$42,023	—	—	\$42,023
Available-for-sale financial assets				
Equity securities	—	—	\$265,990	\$265,990

Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended September 30, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	At fair value through other comprehensive income
	Stocks
Beginning balance as of Jan. 1, 2018	\$215,537
Recognized in other comprehensive income for the nine-month periods ended September 30, 2018	—
Transfer out of Level 3	—
Ending balance as of Sep. 30, 2018	\$215,537
	Available-for-sale financial assets
	Stocks
Beginning balance as of Jan. 1, 2017	\$265,990
Recognized in other comprehensive income for the nine-month periods ended September 30, 2017	—
Transfer out of Level 3	—
Ending balance as of Sep. 30, 2017	\$265,990

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of September 30, 2018

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets :					
Financial assets at fair value through other comprehensive income					
Stocks	Option-Pricing Model	discount for lack of marketability	13%~16%	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by \$2,565 thousand.

As of December 31, 2017

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Quantitative information</u>	<u>Relationship between inputs and fair value</u>	<u>Sensitivity of the input to fair value</u>
Financial assets :					
Available-for-sale					
Stocks	Option-Pricing Model	discount for lack of marketability	13%~16%	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by \$2,502 thousand.

As of September 30, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets :					
Available-for-sale					
Stocks	Option-Pricing Model	discount for lack of marketability	16%~18%	(1) The higher the discount rate, the lower the fair value of the stocks (2)The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in increase (decrease) in the Company's equity by \$2,998 thousand.

(c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed :

As of September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	\$500,356	\$500,356
Long-term receivables-affiliates	—	\$94,711	—	\$94,711
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	—	\$2,958,173	—	\$2,958,173
Lease payable	—	\$10,205	—	\$10,205

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	\$494,849	\$494,849
Long-term receivables-affiliates	—	\$92,384	—	\$92,384
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	—	\$3,757,706	—	\$3,757,706
Lease payable	—	\$24,551	—	\$24,551

As of September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	—	—	\$666,060	\$666,060
Long-term receivables-affiliates	—	\$93,935	—	\$93,935
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Long-term loans	—	\$3,642,735	—	\$3,642,735
Lease payable	—	\$38,508	—	\$38,508

(8) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Sep. 30, 2018		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$132,011	30.53	\$4,030,296
JPY	\$469,800	0.2694	\$126,564
Non-monetary items			
USD	\$8,479	30.53	\$258,864
RMB	\$1,000	4.562	\$4,562

Sep. 30, 2018			
	Foreign currencies	Foreign exchange rate	NTD
Financial liabilities			
Monetary items:			
USD	\$107,160	30.53	\$3,271,595
JPY	\$364,845	0.2694	\$98,289
Dec. 31, 2017			
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$142,647	29.78	\$4,248,028
JPY	\$443,960	0.2647	\$117,516
Non-monetary items			
USD	\$8,479	29.78	\$252,505
RMB	\$1,000	4.573	\$4,573
Financial liabilities			
Monetary items:			
USD	\$85,402	29.78	\$2,543,272
JPY	\$473,334	0.2647	\$125,292
Sep. 30, 2017			
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$98,900	30.28	\$2,994,692
JPY	\$263,712	0.2697	\$71,123
Non-monetary items			
USD	\$716	30.28	\$21,680
RMB	\$1,000	4.562	\$4,562
Financial liabilities			
Monetary items:			
USD	\$72,979	30.28	\$2,209,804
JPY	\$384,588	0.2697	\$103,723

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities functional currencies are various, and hence are not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange losses were (\$1,171) thousand and \$2,581 thousand for the three-month periods ended September 30, 2018 and 2017, respectively; and were \$15,063 thousand and (\$37,741) thousand for the nine-month periods ended September 30, 2018 and 2017, respectively.

13. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on its products and services and has two reportable segments as follows:

Semiconductor Group: Mainly provides IC packaging and testing services.

EMS Group: Provides professional electronics manufacturing services.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group finance costs, finance income and income taxes are managed on a group basis and are not allocated to operating segments.

The transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

For the 3-month periods ended Sep. 30, 2018

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	\$2,415,145	\$1,697,173	—	—	\$4,112,318
Inter-Segment	14,620	185,609	—	(\$200,229) (Note1)	—
Total Revenue	\$2,429,765	\$1,882,782	—	(\$200,229) (Note1)	\$4,112,318
Segment Profit	(\$71,384)	\$52,956	\$12,526	(\$35,935) (Note2)	(\$41,837)

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.

For the 9-month periods ended Sep.30, 2018

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	\$6,378,210	\$4,603,456	—	—	\$10,981,666
Inter-Segment	39,370	469,251	—	(\$508,621) (Note1)	—
Total Revenue	\$6,417,580	\$5,072,707	—	(\$508,621) (Note1)	\$10,981,666
Segment Profit	(\$551,648)	\$119,224	\$276,787	(\$296,054) (Note2)	(\$451,691)

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.

For the 3-month periods ended Sep. 30, 2017

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	\$2,153,983	\$1,395,918	—	—	\$3,549,901
Inter-Segment	7,479	233,968	—	(\$241,447) (Note1)	—
Total Revenue	\$2,161,462	\$1,629,886	—	(\$241,447) (Note1)	\$3,549,901
Segment Profit	(\$127,774)	\$38,290	(\$49,339)	\$67,200 (Note2)	(\$71,623)

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.

For the 9-month periods ended Sep. 30, 2017

	Semiconductor Group	EMS Group	Other	Adjustment and Eliminations	Consolidated
Revenue					
External customer	\$6,161,551	\$4,161,165	—	—	\$10,322,716
Inter-Segment	25,986	750,292	—	(\$776,278) (Note1)	—
Total Revenue	\$6,187,537	\$4,911,457	—	(\$776,278) (Note1)	\$10,322,716
Segment Profit	(\$629,823)	\$200,713	\$15,479	(\$50,325) (Note2)	(\$463,956)

(Note 1) : Inter-segment revenues are eliminated on consolidation.

(Note 2) : The profit for each operating segment does not include income tax expense.