

**WT MICROELECTRONICS CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
SEPTEMBER 30, 2018 AND 2017**

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.



資誠

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of WT Microelectronics Co., Ltd.

### ***Introduction***

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

### ***Scope of Review***

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in 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 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 Notes 4(3) and 6(5), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets (including investments accounted for using equity method) of NT\$16,711,487 thousand and NT\$10,371,942 thousand, constituting 17% and 15% of the consolidated total assets, and total liabilities of NT\$6,174,911 thousand and NT\$4,404,112 thousand, both constituting 8% of the consolidated total liabilities as at September 30, 2018 and 2017, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive income (loss)

~1~



資誠

of associates and joint ventures accounted for using equity method) of NT\$230,625 thousand, NT\$73,680 thousand, NT\$559,155 thousand and NT\$209,711 thousand, constituting 23%, 10%, 23% and 27% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

*Hsu, Sheng-Chung*

Hsu, Sheng-Chung

*Wu, Han-Chi*

Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan

November 8, 2018

-----  
The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017**  
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 2,817,507	3	\$ 2,288,075	3	\$ 2,178,105	3
1110	Financial assets at fair value through profit or loss - current	6(12)	1,155	-	-	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(2)	50,373	-	-	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	466,686	1	481,485	1
1170	Accounts receivable, net	6(3)	46,420,589	47	32,326,085	43	29,979,954	44
1200	Other receivables	6(3)	1,970,130	2	1,344,146	2	1,058,092	1
130X	Inventories	6(4)	42,893,511	43	33,113,757	44	30,140,495	44
1410	Prepayments		457,660	-	347,727	-	368,585	1
1470	Other current assets	6(1) and 8	228,182	-	466,492	1	53,474	-
11XX	<b>Total current assets</b>		<u>94,839,107</u>	<u>95</u>	<u>70,352,968</u>	<u>94</u>	<u>64,260,190</u>	<u>94</u>
<b>Non-current assets</b>								
1517	Financial assets at fair value through other comprehensive income - non-current	6(2)	589,048	1	-	-	-	-
1523	Available-for-sale financial assets, net - non-current	12(4)	-	-	642,252	1	476,002	1
1543	Financial assets carried at cost - non-current	12(4)	-	-	9,143	-	9,143	-
1550	Investments accounted for using equity method	6(5)	289,560	-	348,138	-	351,564	-
1600	Property, plant and equipment	6(6)	958,799	1	785,965	1	769,523	1
1760	Investment property - net	6(7)	105,146	-	105,756	-	105,960	-
1780	Intangible assets	6(8)	1,704,569	2	1,663,682	2	1,430,470	2
1840	Deferred income tax assets		732,431	1	567,902	1	466,242	1
1900	Other non-current assets	6(9)	509,922	-	690,342	1	694,102	1
15XX	<b>Total non-current assets</b>		<u>4,889,475</u>	<u>5</u>	<u>4,813,180</u>	<u>6</u>	<u>4,303,006</u>	<u>6</u>
1XXX	<b>Total assets</b>		<u>\$ 99,728,582</u>	<u>100</u>	<u>\$ 75,166,148</u>	<u>100</u>	<u>\$ 68,563,196</u>	<u>100</u>

(Continued)

**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017**  
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(10)	\$ 23,125,484	23	\$ 24,362,972	32	\$ 24,024,677	35
2110	Short-term notes and bills payable	6(11)	1,629,067	2	1,499,017	2	1,499,139	2
2120	Financial liabilities at fair value through profit or loss - current	6(12)	1,002	-	7,777	-	-	-
2130	Contract liabilities - current	6(23)	152,703	-	-	-	-	-
2170	Accounts payable		47,066,101	47	24,462,653	33	23,267,121	34
2200	Other payables	6(13)	1,672,791	2	1,418,610	2	1,042,831	2
2230	Current income tax liabilities		541,179	-	537,108	1	360,069	1
2320	Long-term liabilities, current portion	6(14)(15)	2,132,254	2	-	-	-	-
2365	Refund liabilities - current	6(23)	1,543,882	2	-	-	-	-
2399	Other current liabilities		26,874	-	161,941	-	135,630	-
21XX	<b>Total current liabilities</b>		<u>77,891,337</u>	<u>78</u>	<u>52,450,078</u>	<u>70</u>	<u>50,329,467</u>	<u>74</u>
	<b>Non-current liabilities</b>							
2530	Bonds payable	6(14)	-	-	1,216,527	2	1,213,740	2
2540	Long-term loans	6(15)	184,600	-	982,120	1	-	-
2570	Deferred income tax liabilities		493,820	1	352,924	-	270,164	-
2600	Other non-current liabilities		77,251	-	82,931	-	27,480	-
25XX	<b>Total non-current liabilities</b>		<u>755,671</u>	<u>1</u>	<u>2,634,502</u>	<u>3</u>	<u>1,511,384</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>78,647,008</u>	<u>79</u>	<u>55,084,580</u>	<u>73</u>	<u>51,840,851</u>	<u>76</u>
	<b>Equity attributable to owners of parent</b>							
	<b>Share capital</b>	6(18)						
3110	Share capital - common stock		5,525,691	6	5,522,227	7	4,757,418	7
3130	Certificates of entitlement to new shares from convertible bonds		26,198	-	392	-	14,809	-
	<b>Capital surplus</b>	6(19)						
3200	Capital surplus		8,722,471	9	8,660,739	12	6,510,650	9
	<b>Retained earnings</b>	6(20)						
3310	Legal reserve		1,741,965	2	1,489,975	2	1,489,975	2
3320	Special reserve		109,102	-	-	-	-	-
3350	Unappropriated retained earnings		5,141,194	5	4,516,703	6	3,820,949	6
	<b>Other equity interest</b>	6(21)						
3400	Other equity interest		(185,697)	(1)	(109,102)	-	127,983	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>21,080,924</u>	<u>21</u>	<u>20,080,934</u>	<u>27</u>	<u>16,721,784</u>	<u>24</u>
36XX	<b>Non-controlling interest</b>	6(22)	<u>650</u>	<u>-</u>	<u>634</u>	<u>-</u>	<u>561</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>21,081,574</u>	<u>21</u>	<u>20,081,568</u>	<u>27</u>	<u>16,722,345</u>	<u>24</u>
	<b>Commitments and contingent liabilities</b>	9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 99,728,582</u>	<u>100</u>	<u>\$ 75,166,148</u>	<u>100</u>	<u>\$ 68,563,196</u>	<u>100</u>

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)  
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2018		2017		2018		2017		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	<b>Operating revenue</b>	6(23)	\$ 84,770,506	100	\$ 50,832,937	100	\$ 187,653,961	100	\$ 129,574,828	100
5000	<b>Operating costs</b>	6(4)	( 81,674,262)	( 96)	( 48,588,009)	( 96)	( 179,709,562)	( 96)	( 123,609,465)	( 95)
5900	<b>Net operating margin</b>		<u>3,096,244</u>	<u>4</u>	<u>2,244,928</u>	<u>4</u>	<u>7,944,399</u>	<u>4</u>	<u>5,965,363</u>	<u>5</u>
	<b>Operating expenses</b>	6(27)								
6100	Selling expenses		( 1,029,704)	( 1)	( 828,522)	( 2)	( 2,935,292)	( 2)	( 2,158,305)	( 2)
6200	General and administrative expenses		( 244,211)	( 1)	( 237,387)	-	( 709,267)	-	( 749,393)	( 1)
6300	Research and development expenses		( 99,094)	-	( 70,334)	-	( 265,864)	-	( 222,395)	-
6450	Impairment loss determined in accordance with IFRS 9	12(2)	( 19,608)	-	-	-	( 61,476)	-	-	-
6000	<b>Total operating expenses</b>		( 1,392,617)	( 2)	( 1,136,243)	( 2)	( 3,971,899)	( 2)	( 3,130,093)	( 3)
6900	<b>Operating profit</b>		<u>1,703,627</u>	<u>2</u>	<u>1,108,685</u>	<u>2</u>	<u>3,972,500</u>	<u>2</u>	<u>2,835,270</u>	<u>2</u>
	<b>Non-operating income and expenses</b>									
7010	Other income	6(24)	15,533	-	9,705	-	32,235	-	20,702	-
7020	Other gains and losses	6(25)	4,404	-	50,353	-	70,475	-	88,300	-
7050	Finance costs	6(26)	( 431,223)	( 1)	( 231,726)	-	( 1,160,825)	( 1)	( 644,813)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(5)	( 36,800)	-	( 18,909)	-	( 59,583)	-	( 53,357)	-
7000	<b>Total non-operating income and expenses</b>		( 448,086)	( 1)	( 190,577)	-	( 1,117,698)	( 1)	( 589,168)	-
7900	<b>Profit before income tax</b>		1,255,541	1	918,108	2	2,854,802	1	2,246,102	2
7950	Income tax expense	6(29)	( 267,957)	-	( 150,307)	-	( 666,644)	-	( 428,951)	-
8200	<b>Profit for the period</b>		<u>\$ 987,584</u>	<u>1</u>	<u>\$ 767,801</u>	<u>2</u>	<u>\$ 2,188,158</u>	<u>1</u>	<u>\$ 1,817,151</u>	<u>2</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars, except for earnings per share)  
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss)</b>									
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>									
8316									
8349									
8310									
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>									
8361									
8362									
8370									
8399									
8360									
8300									
8500									
<b>Profit attributable to:</b>									
8610									
8620									
<b>Comprehensive income attributable to:</b>									
8710									
8720									
<b>Earnings per share (in dollars)</b>									
9750									
9850									

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



**WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Equity attributable to owners of the parent												
	Share capital			Retained earnings				Other equity interest				Total equity	
	Notes	Share capital - common stock	Certificates of bond-to- stock conversion	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available- for-sale financial assets	Total		Non- controlling interest
<b>2017</b>													
Balance at January 1, 2017		\$ 4,715,196	\$ -	\$ 6,372,059	\$ 1,320,029	\$ -	\$ 3,315,686	\$ 162,084	\$ -	\$ 1,017,416	\$ 16,902,470	\$ 640	\$ 16,903,110
Consolidated net income		-	-	-	-	-	1,816,989	-	-	-	1,816,989	162	1,817,151
Other comprehensive loss		-	-	-	-	-	( 838,744 )	-	( 212,773 )	( 1,051,517 )	( 69 )	( 1,051,586 )	
Total comprehensive income (loss)		-	-	-	-	-	1,816,989	( 838,744 )	( 212,773 )	765,472	93	765,565	
Appropriations of 2016 earnings:	6(20)												
Legal reserve		-	-	-	169,946	-	( 169,946 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 1,141,780 )	-	-	( 1,141,780 )	-	-	( 1,141,780 )
Conversion of convertible bonds	6(18)	42,222	14,809	139,112	-	-	-	-	-	196,143	-	-	196,143
Changes in equity of associates accounted for using equity method	6(19)	-	-	( 521 )	-	-	-	-	-	( 521 )	-	-	( 521 )
Changes in non-controlling interest	6(22)	-	-	-	-	-	-	-	-	-	( 172 )	( 172 )	( 172 )
Balance at September 30, 2017		\$ 4,757,418	\$14,809	\$ 6,510,650	\$ 1,489,975	\$ -	\$ 3,820,949	( \$ 676,660 )	\$ -	\$ 804,643	\$ 16,721,784	\$ 561	\$ 16,722,345
<b>2018</b>													
Balance at January 1, 2018		\$ 5,522,227	\$ 392	\$ 8,660,739	\$ 1,489,975	\$ -	\$ 4,516,703	( \$ 975,052 )	\$ -	\$ 865,950	\$ 20,080,934	\$ 634	\$ 20,081,568
Effects of retrospective application	12(4)	-	-	-	-	-	( 75,668 )	-	843,629	( 865,950 )	( 97,989 )	-	( 97,989 )
Adjusted balance at January 1, 2018		5,522,227	392	8,660,739	1,489,975	-	4,441,035	( 975,052 )	843,629	-	19,982,945	634	19,983,579
Consolidated net income		-	-	-	-	-	2,187,934	-	-	-	2,187,934	224	2,188,158
Other comprehensive income (loss)	6(21)	-	-	-	-	-	839	443,155	( 243,528 )	-	200,466	7	200,473
Total comprehensive income (loss)		-	-	-	-	-	2,188,773	443,155	( 243,528 )	-	2,388,400	231	2,388,631
Appropriations of 2017 earnings:	6(20)												
Legal reserve		-	-	-	251,990	-	( 251,990 )	-	-	-	-	-	-
Special reserve		-	-	-	-	109,102	( 109,102 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 1,381,423 )	-	-	( 1,381,423 )	-	-	( 1,381,423 )
Conversion of convertible bonds	6(18)	3,464	25,806	61,732	-	-	-	-	-	91,002	-	-	91,002
Changes in non-controlling interest	6(22)	-	-	-	-	-	-	-	-	-	( 215 )	( 215 )	( 215 )
Disposal of financial assets at fair value through other comprehensive income	6(21)	-	-	-	-	-	253,901	-	( 253,901 )	-	-	-	-
Balance at September 30, 2018		\$ 5,525,691	\$26,198	\$ 8,722,471	\$ 1,741,965	\$ 109,102	\$ 5,141,194	( \$ 531,897 )	\$ 346,200	\$ -	\$ 21,080,924	\$ 650	\$ 21,081,574

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



WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,854,802	\$ 2,246,102
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(27)	59,022	45,191
Amortisation	6(27)	7,906	7,401
Impairment loss determined in accordance with IFRS	12(2)		
9/ Provision for doubtful accounts		61,476	176,153
Unrealised income on financial liabilities at fair value	6(25)		
through profit or loss		( 78,229 )	-
Impairment loss on financial assets carried at cost	6(25)	-	7,669
Share of loss of associates and joint ventures accounted	6(5)		
for using equity method		59,583	53,357
Loss on disposal of property, plant and equipment, net	6(25)	392	88
Gain on disposal of investments	6(25)	-	( 151,160 )
Interest expense	6(26)	674,531	366,093
Interest income	6(24)	( 6,567 )	( 5,795 )
Dividend income	6(24)	( 17,588 )	( 8,250 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 12,059,933 )	( 1,531,943 )
Other receivables		( 593,583 )	1,549,083
Inventories		( 8,873,955 )	( 9,130,467 )
Prepayments		( 94,787 )	( 225,743 )
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss		70,280	-
Contract liabilities		45,085	-
Accounts payable		21,209,748	5,919,328
Other payables		194,536	( 226,283 )
Other current liabilities (included in refund			
liabilities)		( 33,214 )	67,894
Accrued pension liabilities		366	50
Cash inflow (outflow) generated from operations		3,479,871	( 841,232 )
Interest received		6,567	5,795
Dividends received		17,588	8,250
Interest paid		( 640,985 )	( 347,330 )
Income taxes paid		( 666,302 )	( 445,429 )
Net cash flows from (used in) operating activities		<u>2,196,739</u>	<u>( 1,619,946 )</u>

(Continued)

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income		(\$ 31,601 )	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(2)	279,894	-
Proceeds from disposal of available-for-sale financial assets		-	158,402
Decrease (increase) in other financial assets		244,121	( 13,997 )
Proceeds from capital reduction of financial assets at cost		-	5,700
Acquisition of investments accounted for using equity method		-	( 237,685 )
Acquisition of property, plant and equipment	6(32)	( 111,028 )	( 76,082 )
Proceeds from disposal of property, plant and equipment		402	9
Net cash payments for business combination	6(32)	( 72,409 )	-
Acquisition of intangible assets	6(8)	( 2,043 )	( 4,656 )
Increase in other non-current assets		( 9,299 )	( 124,306 )
Net cash flows from (used in) investing activities		298,037	( 292,615 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		( 421,526 )	2,014,335
Increase in short-term notes and bills payable		121,898	1,199,238
Payments of long-term loans		( 562,500 )	-
Decrease in other non-current liabilities		( 6,157 )	( 6,144 )
Changes in non-controlling interest	6(22)	( 215 )	( 172 )
Cash dividends paid	6(20)	( 1,381,423 )	( 1,141,780 )
Net cash flows (used in) from financing activities		( 2,249,923 )	2,065,477
Effect of exchange rate changes		284,579	( 55,583 )
Net increase in cash and cash equivalents		529,432	97,333
Cash and cash equivalents at beginning of period		2,288,075	2,080,772
Cash and cash equivalents at end of period		\$ 2,817,507	\$ 2,178,105

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

WT MICROELECTRONICS CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

WT Microelectronics Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the development and sales of electronic and communication components.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on November 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

- (a) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as contract liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to \$1,218,886.
- (b) Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to \$102,535.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 will have to increase 'right-of-use assets' and lease liabilities whereas it has no significant impact on the shareholders' equity.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standards 34, “Interim financial reporting” as endorsed by the FSC.

##### (2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
- (c) Defined benefit assets (liabilities) recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and for the third quarter of 2017 were not restated. The financial

statements for the year ended December 31, 2017 and the third quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss from equity.



B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
WT Microelectronics Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	99.65	99.65	99.65	
WT Microelectronics Co., Ltd.	Morrihan International Corp.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	BSI Semiconductor Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Nuvision Technology Inc.	Trading Company	99.91	99.91	99.91	
WT Microelectronics Co., Ltd.	Milestone Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	SinYie Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	AboveE Technology Inc.	Software Services	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Techmosa International Inc.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	MSD Holdings Pte. Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Co., Ltd.	Maxtek Technology Co., Ltd.	Trading Company	100.00	100.00	-	(2)
Wintech Microelectronics Holding Limited	WT Microelectronics (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Promising Investment Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Microelectronics Limited	Investment Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	WT Technology Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Wintech Investment Co., Ltd.	Investment Company	100.00	100.00	100.00	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Wintech Microelectronics Holding Limited	Anius Enterprise Co., Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Microelectronics Holding Limited	Mega Source Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	Wonchang Semiconductor Co., Ltd.	Trading Company	100.00	100.00	100.00	
BSI Semiconductor Pte. Ltd.	WT Technology Korea Co., Ltd.	Trading Company	4.53	4.53	4.53	
Morrihan International Corp.	Hotech Electronics Corp.	Trading Company	100.00	100.00	100.00	
Morrihan International Corp.	Asia Latest Technology Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	WT Technology (H.K.) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	WT Solomon QCE Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	WT Microelectronics (Hong Kong) Limited	Trading Company	100.00	100.00	100.00	
Promising Investment Limited	Nino Capital Co., Ltd.	Investment Company	100.00	100.00	100.00	
Promising Investment Limited	Rich Web Ltd.	Investment Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Microelectronics (Malaysia) Sdn. Bhd.	Trading Company	100.00	100.00	100.00	
Wintech Investment Co., Ltd.	WT Technology Korea Co., Ltd.	Trading Company	95.47	95.47	95.47	
Nino Capital Co., Ltd.	Shanghai WT Microelectronics Co., Ltd.	Trading Company	100.00	100.00	100.00	
Rich Web Ltd.	WT Microelectronics (Shenzhen) Co., Ltd.	Trading Company	100.00	100.00	100.00	
WT Microelectronics Singapore Pte. Ltd.	WT Microelectronics (Thailand) Limited.	Trading Company	100.00	100.00	100.00	
Sin Yie Investment Co., Ltd.	Wintech Microelectronics Holding Limited	Investment Company	0.35	0.35	0.35	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Note
			September 30, 2018	December 31, 2017	September 30, 2017	
Asia Latest Technology Limited	Morrihan International Trading (Shanghai) Co., Ltd.	Trading Company	100.00	100.00	100.00	
Techmosa International Inc.	Paramount Technology Corp.	Trading Company	-	-	100.00	(3)
Techmosa International Inc.	Techmosa International Holding Ltd.	Investment Company	100.00	100.00	100.00	
Techmosa International Inc.	Morrihan Singapore Pte. Ltd.	Trading Company	100.00	100.00	100.00	(4)
Maxtek Technology Co., Ltd.	HongTech Electronics Co., Ltd.	Trading Company	100.00	100.00	-	(2)
Maxtek Technology Co., Ltd.	Lacewood International Corp.	Trading Company	100.00	100.00	-	(2)
Maxtek Technology Co., Ltd.	Best Winner International Development Ltd.	Investment Company	100.00	100.00	-	(2)
Best Winner International Development Ltd.	Maxtek International (HK) Limited	Trading Company	100.00	100.00	-	(2)

Note 1: The financial statements of certain consolidated insignificant subsidiaries for the nine-month periods ended September 30, 2018 and 2017 were not reviewed by independent accountants. The total assets of these unreviewed subsidiaries as of September 30, 2018 and 2017 were \$16,421,927 and \$10,020,378, constituting 16% and 15% of total consolidated assets, and the total liabilities were \$6,174,911 and \$4,404,112, both constituting 8% of the consolidated total liabilities, respectively. The total comprehensive income was \$269,881, \$98,516, \$624,284 and \$266,446, constituting 27%, 13%, 26% and 35% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, respectively.

Note 2: In October 2017, the Company acquired all the equity interest of Maxtek Technology Co., Ltd. and its subsidiaries by cash, which then became a wholly owned subsidiary and indirect reinvested subsidiaries included in the consolidated financial statements from acquisition date.

Note 3: In 2017, Paramount Technology Corp. had been liquidated and dissolved.

Note 4: In the fourth quarter of 2017, the Group adjusted the investment structure, whereby 100% of BSI Semiconductor (Singapore) Pte. Ltd. was transferred to Techmosa International from BSI Semiconductor Pte. Ltd. and renamed as Morrihan Singapore Pte. Ltd.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

A. The consolidated financial statements are presented in NT dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these

foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

- A. These are financial assets that are not measured at amortised cost or at fair value through other comprehensive income and are held for trading if acquired principally for the purpose of repurchasing in the short term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets and liabilities at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

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

Effective 2018

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition relating to the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- C. The Group's operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if

such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred, however, the Group has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

- A. The cost of inventories includes the purchase price, import duties and other costs directly attributable to the acquisition of goods. The discount, allowance and others alike should be deducted from the cost.
- B. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.



- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	26 ~ 55 years
Office equipment	2 ~ 9 years
Other assets	2 ~ 12 years

(16) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 ~ 55 years.

(18) Intangible assets

- A. Goodwill arises in a business combination accounted for by applying the acquisition method.
- B. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest

method.

- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(21) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus – share options.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.
- iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. The grant date of cash capital increase reserved for employee preemption is the date at which the entity and the employee agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the

interim period, and the related information is disclosed accordingly.

- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

- A. The Group sells electronic and communication components. Sales are recognised when the control of the products has been transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. The goods are often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales discounts and allowances, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.
- C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The customer pays at the time specified in the payment schedule. If the payments exceed the merchandise provided, a contract liability is recognised.

(27) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and

entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Group controls the goods or services before it is provided to a customer include the following:

- A. The Group is primarily responsible for the provision of goods or services;  
B. The Group assumes the inventory risk before transferring the specified goods or services to the



customer or after transferring control of the goods or services to the customer.

C. The Group has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(8) for the information of goodwill impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and revolving funds	\$ 3,321	\$ 2,852	\$ 2,365
Checking accounts and demand deposits	2,814,186	2,285,223	2,159,740
Cash equivalents			
Time deposits	-	-	16,000
	<u>\$ 2,817,507</u>	<u>\$ 2,288,075</u>	<u>\$ 2,178,105</u>

A. The Group transacts with a variety of financial institutions all with good credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's deposits with banks that have been pledged as collateral were classified as 'other current assets'. Please refer to Note 8 for details. As of September 30, 2018, December 31, 2017 and September 30, 2017, the time deposits with maturity date over 3 months of \$39,364, \$42,164 and \$23,157, respectively, are recorded as "other current assets".

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

Effective 2018

<u>Items</u>	<u>September 30, 2018</u>
Current items:	
Equity instruments	\$ <u>50,373</u>
Non-current items:	
Equity instruments	\$ <u>589,048</u>

A. The Group has elected to classify certain strategic investments in the aforementioned equity instruments-including publicly listed and privately held companies-as financial assets measured at fair value through other comprehensive income.

B. Aiming to satisfy its operating capital needs, the Group sold \$279,894 of listed shares at fair value and resulted in cumulative gain of \$253,901 on disposal during the nine-month period ended September 30, 2018.

C. Please refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income for the three-month and nine-month periods ended September 30, 2018.

D. The Group has no financial assets measured at fair value through other comprehensive income pledged to others as of September 30, 2018.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Notes receivable	\$ 2,646,858	\$ 1,824,444	\$ 1,759,524
Accounts receivable	44,732,147	32,428,068	29,461,301
Less: Allowance for sales returns and discounts	( 521,407)	( 1,655,266)	( 1,037,650)
Allowance for uncollectible accounts	( <u>437,009</u> )	( <u>271,161</u> )	( <u>203,221</u> )
Notes and accounts receivable, net	<u>46,420,589</u>	<u>32,326,085</u>	<u>29,979,954</u>
Overdue receivables	841,790	916,444	928,342
Less: Allowance for uncollectible accounts	( <u>841,790</u> )	( <u>830,735</u> )	( <u>841,035</u> )
Overdue receivables, net (shown as 'other non-current assets')	<u>-</u>	<u>85,709</u>	<u>87,307</u>
	<u>\$ 46,420,589</u>	<u>\$ 32,411,794</u>	<u>\$ 30,067,261</u>

A. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group had outstanding discounted notes receivable amounting to \$366,221, \$298,369 and \$256,213,

respectively. However, as notes receivable are bank's acceptance bills and are discounted without right of recourse, those discounted notes receivable were deducted directly from notes receivable.

**B. Transferred financial assets that are derecognised in their entirety**

The Group entered into a factoring agreement with a domestic financial institution to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable transferred			
(Amount derecognised)	\$ 42,602,379	\$ 31,829,608	\$ 23,054,444
Amount advanced	\$ 41,754,166	\$ 30,875,011	\$ 22,371,640
Amount retained	\$ 848,213	\$ 954,597	\$ 682,804

(a) The above amounts retained are shown as 'other receivables'. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(b) As of September 30, 2018, December 31, 2017 and September 30, 2017, the interest rates for amounts advanced ranged between 1.362%~3.5518%, 1.712%~3.22% and 1.448%~2.4102%, respectively.

(c) As of September 30, 2018, December 31, 2017 and September 30, 2017, the total limits of the accounts receivable factoring were \$71,268,496, \$55,529,472 and \$47,417,686, respectively.

(d) As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group has issued a promissory note of \$97,885,100, \$56,015,136 and \$50,501,481, respectively, as performance guarantee against any business dispute.

**C. Transferred financial assets that are not derecognised in their entirety**

The Group entered into a factoring agreement with domestic financial institutions to sell its accounts receivable. Under the agreement, the Group can transfer non-L/C accounts receivable financing to financial institution, and the bank has the right of recourse to the transferred accounts receivable. For accounts receivable that will not be recovered in the specific period, the Group will retain risk and returns of such accounts receivable. Accordingly, the Group did not derecognise the accounts receivable where the bank has the right of recourse.

Related advance payments are recorded under short-term borrowings, and the information on outstanding borrowings are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable that are financed	\$ -	\$ 881,273	\$ -
Amount advanced	\$ -	\$ 719,730	\$ -

(a) As of December 31, 2017, the Group entered into a factoring agreement with recourse, and the range of interest of amount advanced was 1.87%~2.93%.

(b) As of September 30, 2018 and December 31, 2017, the total limits of the accounts receivable financing were \$427,350 and \$2,375,000, respectively.

D. The Group took out a credit insurance on the accounts receivable from certain main customers, whereby 80%~90% of the receivable amount can be covered when the receivables are uncollectible. As at September 30, 2018, December 31, 2017, and September 30, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the carrying amount of the notes and accounts receivable.

E. Please refer to Note 8 for details of accounts receivable pledged as security.

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

(4) Inventories

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Merchandise inventory	\$ 44,014,964	\$ 34,176,655	\$ 31,140,988
Less: Allowance for inventory obsolescence and market value decline	( 1,121,453)	( 1,062,898)	( 1,000,493)
	<u>\$ 42,893,511</u>	<u>\$ 33,113,757</u>	<u>\$ 30,140,495</u>

The cost of inventories recognised as expense for the period:

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Cost of inventories sold	\$ 81,665,535	\$ 48,568,833
Loss on market price decline	8,727	19,176
	<u>\$ 81,674,262</u>	<u>\$ 48,588,009</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Cost of inventories sold	\$ 179,667,867	\$ 123,505,284
Loss on physical inventory and disposal of inventory	301	91
Loss on market price decline	41,394	104,090
	<u>\$ 179,709,562</u>	<u>\$ 123,609,465</u>

(5) Investments accounted for using equity method

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Supreme Mega Ltd.	\$ 96,924	\$ 148,511	\$ 186,502
JCD Optical (Cayman) Co., Ltd.	88,823	97,855	99,222
Qwave Technology Co., Ltd.	41,606	40,000	-
Rainbow Star Group Limited	31,374	31,040	31,775
Joy Capital Ltd.	30,833	30,732	34,065
	<u>\$ 289,560</u>	<u>\$ 348,138</u>	<u>\$ 351,564</u>

A. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Loss for the period from continuing operations	(\$ 36,800)	(\$ 18,909)
Other comprehensive loss, net of tax	( 2,456)	( 5,927)
Total comprehensive loss	<u>(\$ 39,256)</u>	<u>(\$ 24,836)</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Loss for the period from continuing operations	(\$ 59,583)	(\$ 53,357)
Other comprehensive loss, net of tax	( 5,546)	( 3,378)
Total comprehensive loss	<u>(\$ 65,129)</u>	<u>(\$ 56,735)</u>

The abovementioned investments accounted for using equity method, recognised gain or loss of associates and other comprehensive income (loss) were based on associates' financial statements of the same reporting periods which were not reviewed by the independent accountants.

B. In December 2017, the Group acquired the newly issued ordinary shares of Qwave Technology Co., Ltd. by asset contribution, which acquired 40% of equity, for a total amount of \$40,000.

(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>					
Cost	\$ 225,459	\$ 496,075	\$ 339,669	\$ 230,936	\$ 1,292,139
Accumulated depreciation and impairment	<u>-</u>	<u>( 86,466)</u>	<u>( 228,327)</u>	<u>( 191,381)</u>	<u>( 506,174)</u>
	<u>\$ 225,459</u>	<u>\$ 409,609</u>	<u>\$ 111,342</u>	<u>\$ 39,555</u>	<u>\$ 785,965</u>
<u>2018</u>					
Opening net book amount	\$ 225,459	\$ 409,609	\$ 111,342	\$ 39,555	\$ 785,965
Additions	-	-	40,779	58,533	99,312
Disposals	-	-	( 517)	( 277)	( 794)
Reclassifications	-	-	-	148,399	148,399
Depreciation charge	-	( 9,110)	( 32,954)	( 16,348)	( 58,412)
Net exchange differences	<u>-</u>	<u>( 7,843)</u>	<u>( 1,068)</u>	<u>( 6,760)</u>	<u>( 15,671)</u>
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 392,656</u>	<u>\$ 117,582</u>	<u>\$ 223,102</u>	<u>\$ 958,799</u>
<u>At September 30, 2018</u>					
Cost	\$ 225,459	\$ 487,956	\$ 331,703	\$ 419,886	\$ 1,465,004
Accumulated depreciation and impairment	<u>-</u>	<u>( 95,300)</u>	<u>( 214,121)</u>	<u>( 196,784)</u>	<u>( 506,205)</u>
	<u>\$ 225,459</u>	<u>\$ 392,656</u>	<u>\$ 117,582</u>	<u>\$ 223,102</u>	<u>\$ 958,799</u>

	<u>Land</u>	<u>Buildings</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>					
Cost	\$ 225,459	\$ 217,449	\$ 320,854	\$ 186,885	\$ 950,647
Accumulated depreciation and impairment	-	( 75,260)	( 234,923)	( 166,557)	( 476,740)
	<u>\$ 225,459</u>	<u>\$ 142,189</u>	<u>\$ 85,931</u>	<u>\$ 20,328</u>	<u>\$ 473,907</u>
<u>2017</u>					
Opening net book amount	\$ 225,459	\$ 142,189	\$ 85,931	\$ 20,328	\$ 473,907
Additions	-	13,625	43,016	19,441	76,082
Disposals	-	-	( 96)	( 1)	( 97)
Reclassifications	-	261,559	-	-	261,559
Depreciation charge	-	( 8,082)	( 27,442)	( 9,057)	( 44,581)
Net exchange differences	-	3,015	( 163)	( 199)	2,653
Closing net book amount	<u>\$ 225,459</u>	<u>\$ 412,306</u>	<u>\$ 101,246</u>	<u>\$ 30,512</u>	<u>\$ 769,523</u>
<u>At September 30, 2017</u>					
Cost	\$ 225,459	\$ 495,739	\$ 336,954	\$ 202,506	\$ 1,260,658
Accumulated depreciation and impairment	-	( 83,433)	( 235,708)	( 171,994)	( 491,135)
	<u>\$ 225,459</u>	<u>\$ 412,306</u>	<u>\$ 101,246</u>	<u>\$ 30,512</u>	<u>\$ 769,523</u>

- A. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with the non-related parties in the first quarter of 2016. The agreements are purchases of property located in Beijing Municipality for business use for a contract price of \$225,976 (RMB 48,732 thousand) which has been settled by the Group. In the first quarter of 2018, the transfer of the properties has been completed but not yet accepted by WT Microelectronics (Shanghai) Co., Ltd. Thus, the amount previously recorded in 'other non-current assets – prepayment for property' was transferred to 'property, plant, equipment – construction in progress' and 'other non-current assets-long-term prepaid rents' in the amounts of \$148,399 and \$77,577, respectively. Please refer to Note 6(9) for details.
- B. The Company's indirect investee, WT Microelectronics (Shanghai) Co., Ltd., entered into agreements for presale of commodity houses with non-related parties in the second quarter of 2015. The agreements are purchases of property located in Shanghai Municipality for business use for a contract price of \$450,407 (RMB 99,800 thousand) which has been settled by the Group. In the first quarter of 2017, the process for ownership transfer and acceptance had been completed. Thus, the amount previously recorded in 'other non-current assets – prepayment for property' was transferred to 'property, plant and equipment – buildings and structures' and 'other non-current assets – long-term prepaid rents' in the amounts of \$261,559 and \$188,848, respectively. Please refer to Note 6(9) for details.

(7) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 14,182)	( 16,079)
	<u>\$ 82,839</u>	<u>\$ 22,917</u>	<u>\$ 105,756</u>
<u>2018</u>			
Opening net book amount	\$ 82,839	\$ 22,917	\$ 105,756
Depreciation charge	-	( 610)	( 610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 22,307</u>	<u>\$ 105,146</u>
<u>At September 30, 2018</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 14,792)	( 16,689)
	<u>\$ 82,839</u>	<u>\$ 22,307</u>	<u>\$ 105,146</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2017</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 13,368)	( 15,265)
	<u>\$ 82,839</u>	<u>\$ 23,731</u>	<u>\$ 106,570</u>
<u>2017</u>			
Opening net book amount	\$ 82,839	\$ 23,731	\$ 106,570
Depreciation charge	-	( 610)	( 610)
Closing net book amount	<u>\$ 82,839</u>	<u>\$ 23,121</u>	<u>\$ 105,960</u>
<u>At September 30, 2017</u>			
Cost	\$ 84,736	\$ 37,099	\$ 121,835
Accumulated depreciation and impairment	( 1,897)	( 13,978)	( 15,875)
	<u>\$ 82,839</u>	<u>\$ 23,121</u>	<u>\$ 105,960</u>

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



	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Rental income from the lease of the investment property	\$ <u>649</u>	\$ <u>649</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>203</u>	\$ <u>203</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Rental income from the lease of the investment property	\$ <u>1,948</u>	\$ <u>1,818</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>610</u>	\$ <u>610</u>

B. The fair values of the investment property held by the Group as at September 30, 2018, December 31, 2017 and September 30, 2017 were \$125,717, \$131,513 and \$122,511, respectively, which were based on the valuation of market prices estimated using comparison approach and is categorised within Level 2 in the fair value hierarchy.

(8) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2018</u>			
Cost	\$ 1,819,565	\$ 75,639	\$ 1,895,204
Accumulated amortisation and impairment	( <u>170,309</u> )	( <u>61,213</u> )	( <u>231,522</u> )
	\$ <u>1,649,256</u>	\$ <u>14,426</u>	\$ <u>1,663,682</u>
<u>2018</u>			
Opening net book amount	\$ 1,649,256	\$ 14,426	\$ 1,663,682
Additions	22,439	2,043	24,482
Amortisation charge (shown as 'general and administrative expenses')	-	( 5,079 )	( 5,079 )
Net exchange differences	<u>21,484</u>	<u>-</u>	<u>21,484</u>
Closing net book amount	\$ <u>1,693,179</u>	\$ <u>11,390</u>	\$ <u>1,704,569</u>
<u>At September 30, 2018</u>			
Cost	\$ 1,863,488	\$ 77,682	\$ 1,941,170
Accumulated amortisation and impairment	( <u>170,309</u> )	( <u>66,292</u> )	( <u>236,601</u> )
	\$ <u>1,693,179</u>	\$ <u>11,390</u>	\$ <u>1,704,569</u>

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>At January 1, 2017</u>			
Cost	\$ 1,707,300	\$ 60,166	\$ 1,767,466
Accumulated amortisation and impairment	( 170,309)	( 46,299)	( 216,608)
	<u>\$ 1,536,991</u>	<u>\$ 13,867</u>	<u>\$ 1,550,858</u>
<u>2017</u>			
Opening net book amount	\$ 1,536,991	\$ 13,867	\$ 1,550,858
Adjustment	( 63,839)	-	( 63,839)
Additions	-	4,656	4,656
Amortisation charge (shown as 'general and administrative expenses')	-	( 5,217)	( 5,217)
Net exchange differences	( 55,988)	-	( 55,988)
Closing net book amount	<u>\$ 1,417,164</u>	<u>\$ 13,306</u>	<u>\$ 1,430,470</u>
<u>At September 30, 2017</u>			
Cost	\$ 1,587,473	\$ 64,822	\$ 1,652,295
Accumulated amortisation and impairment	( 170,309)	( 51,516)	( 221,825)
	<u>\$ 1,417,164</u>	<u>\$ 13,306</u>	<u>\$ 1,430,470</u>

- A. The information on intangible assets acquired through business combinations for the nine-month period ended September 30, 2018 is provided in Note 6(31).
- B. In the first quarter of 2017, the acquisition price was adjusted pursuant to the contingent consideration provision in the business transfer agreement signed in 2011 with Kei Kong Electronic Ltd. As a result, the goodwill from the business combination was also adjusted in the amount of \$63,839.
- C. The Group evaluated the impairment of recoverable amount of the goodwill at each reporting date and used the value-in-use calculation as basis for recoverable amount. These calculations use future cash flow projections based on financial budgets approved by the management covering a five-year period.

The future cash flows were estimated based on the annual revenue, gross profit and other operating expenses in the future. The Group's estimated average annual revenue growth rate is 5%~10%, and adopted discount rate is the pre-tax ratio of weighted average capital cost to reflect risk of related cash-generating units. Based on the aforementioned assessment, no recognition of impairment loss of goodwill was recognised for the nine-month periods ended September 30, 2018 and 2017.

(9) Other non-current assets

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Long-term prepaid rents	\$ 254,014	\$ 188,026	\$ 188,736
Refundable deposit	136,408	114,897	109,230
Prepayment for business combination	49,970	-	30,128
Prepayment for machinery	16,278	11,247	6,151
Net defined benefit asset	1,236	1,125	5,731
Prepayment for property	-	222,614	220,710
Overdue receivables	-	85,709	87,307
Others	52,016	66,724	46,109
	<u>\$ 509,922</u>	<u>\$ 690,342</u>	<u>\$ 694,102</u>

A. Because the ownership transfer and acceptance of the property have been completed in the first quarter of 2018 and 2017, the prepayment for property was then transferred to ‘long-term prepaid rents’ and ‘property, plant and equipment’. Please refer to Note 6(6) for details.

The amount transferred to ‘long-term prepaid rents’ resulted from the Group’s land use right contract in China. For the three-month and nine-month periods ended September 30, 2018 and 2017, the Group recognised rent for the land use right amounting to \$924, \$959, \$2,827 and \$2,184, respectively.

B. The Company has signed a business transfer agreement with STC Corporation in June 2018, and expected to acquire certain semiconductor parts distribution business by cash. The effective date of transfer will be determined based on the contract term. As of November 8, 2018, the effective date and acquisition price have not yet been determined by both parties. As of the balance sheet date, the partial payment was recorded as ‘prepayment for business combination’.

(10) Short-term borrowings

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Credit loans	\$ 22,200,987	\$ 20,708,832	\$ 24,024,677
Secured borrowings	924,497	3,654,140	-
	<u>\$ 23,125,484</u>	<u>\$ 24,362,972</u>	<u>\$ 24,024,677</u>
Interest rates per annum	<u>0.9073%~5.22%</u>	<u>0.9066%~5.0025%</u>	<u>0.80%~5.3%</u>

Please refer to Note 8 for details of the collaterals of abovementioned secured borrowings.

(11) Short-term notes and bills payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Commercial paper	\$ 1,630,000	\$ 1,500,000	\$ 1,500,000
Amortisation of discount	( 933)	( 983)	( 861)
	<u>\$ 1,629,067</u>	<u>\$ 1,499,017</u>	<u>\$ 1,499,139</u>
Coupon rate	<u>0.53%~0.84%</u>	<u>0.53%~0.85%</u>	<u>0.53%~0.85%</u>

The notes and bills were issued under securities and acceptance offered by the financial institutions

to fund short-term capital. The issuance period is within 90 days.

(12) Financial liabilities at fair value through profit or loss

<u>Assets</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:			
Derivatives	\$ 1,155	\$ -	\$ -
<u>Liabilities</u>			
Current items:			
Derivatives	\$ 1,002	\$ 7,777	\$ -

A. The Group recognised net gain of \$6,316 and \$76,109 on financial liabilities at fair value through profit or loss for the three-month and nine-month periods ended September 30, 2018, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial instruments that the Group does not adopt hedge accounting are as follows:

<u>Derivative financial assets</u>	<u>September 30, 2018</u>		
	Contract amount (Notional principal) (In thousands)	Contract period	
Current items:			
Forward foreign exchange contracts	USD (BUY) 10,000	2018.8.29~2018.12.21	
Cross currency swap contracts	USD (BUY) 2,998	2018.9.20~2018.12.21	

<u>Derivative financial liabilities</u>	<u>September 30, 2018</u>		
<u>Derivative financial liabilities</u>	Contract amount (Notional principal) (In thousands)	Contract period	
Current items:			
Forward foreign exchange contracts	USD (BUY) 6,000	2018.9.20~2018.11.30	

<u>Derivative financial liabilities</u>	<u>December 31, 2017</u>		
	Contract amount (Notional principal) (In thousands)	Contract period	
Current items:			
Forward foreign exchange contracts	USD (BUY) 12,000	2017.12.5~2018.3.21	
Cross currency swap contracts	USD (BUY) 15,000	2017.12.21~2018.3.20	

(a) The Group entered into forward foreign exchange contracts to sell USD to hedge exchange rate risk of foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) The cross currency swap contracts signed by the Company are to fulfill capital movement. For exchange rate, principals denominated in two currencies are exchanged at the same exchange rate at the initial and final exchanges. Thus, there is no foreign exchange risk. For

interest rate, to hedge the exchange risk of floating rate, the Company exchanged fixed rate of NTD for floating rate of USD. However, these cross currency swap contracts are not accounted for under hedge accounting.

C. For the derivative transactions, the Group deals with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

(13) Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Salaries and bonuses payable	\$ 702,580	\$ 761,196	\$ 578,239
Accrued VAT payable	378,095	47,805	-
Finance cost payable	132,874	104,081	61,291
Costs to provide technical services payable	68,479	86,311	62,987
Freight payable	58,842	55,978	45,161
Insurance expense payable	53,047	37,565	30,666
Pension expense payable	14,433	14,710	13,675
Others	264,441	310,964	250,812
	<u>\$ 1,672,791</u>	<u>\$ 1,418,610</u>	<u>\$ 1,042,831</u>

(14) Bonds payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Bonds payable	\$ 1,150,000	\$ 1,242,200	\$ 1,243,500
Less: Discount on bonds payable	( 11,946)	( 25,673)	( 29,760)
	1,138,054	1,216,527	1,213,740
Less: Bonds payable, current portion	( 1,138,054)	-	-
	<u>\$ -</u>	<u>\$ 1,216,527</u>	<u>\$ 1,213,740</u>

A. The issuance of domestic convertible bonds by the Company:

(a) The terms of the domestic unsecured convertible bonds issued by the Company are as follows:

- i. The Company issued \$1,500,000, 0%, fifth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (July 7, 2016 ~July 7, 2019) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on July 7, 2016.
- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- iii. The conversion price of the bonds is set up based on the pricing model as specified in the terms of the bonds (with the conversion price at NT\$40.5 per share), and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. On

September 30, 2018, the conversion price was NT\$31.3 per share.

- iv. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from securities trading markets), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$43,211 were separated from the liability component and were recognised in ‘capital surplus-share options’ as of September 30, 2018, in accordance with IAS 32.

C. As of September 30, 2018, the convertible bonds converted into 10,169 thousand common shares totaled \$350,000 at par value.

D. For the three-month and nine-month periods ended September 30, 2018 and 2017, the amortised discount of bonds payable was \$4,098, \$4,274, \$12,528 and \$13,347, respectively.

(15) Long-term loans

Type of loans	Period	September 30, 2018	
		Credit line	Amount
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	\$ 1,500,000	\$ 812,500
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	366,300	366,300
		<u>\$ 1,866,300</u>	1,178,800
Less: Long-term borrowings, current portion			( 994,200)
			<u>\$ 184,600</u>
Range of interest rates			<u>1.06%~2.589%</u>

Type of loans	Period	December 31, 2017	
		Credit line	Amount
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	\$ 1,333,333	\$ -
Mid-term borrowings (Bank SinoPac)	2017/10/3~2019/10/3	1,500,000	625,000
Mid-term borrowings (The Export-Import Bank of the Republic of China)	2017/1/25~2020/1/25	357,120	357,120
		<u>\$ 3,190,453</u>	<u>\$ 982,120</u>
Range of interest rates			<u>1.06%~2.589%</u>

Type of loans	Period	September 30, 2017	
		Credit line	Amount
Syndicated loans (Mega bank and 7 other banks)	2013/12/18~2018/12/18	<u>\$ 1,666,667</u>	<u>\$ -</u>
Range of interest rates			<u>-</u>

- A. The Group has signed a syndicated loan agreement whereby the Group is obligated to avail of borrowings equivalent to a certain percentage of the credit line during the period from six months after the date of first drawdown. If the total borrowings do not reach the minimum availment amount as specified in the loan agreement, the Group is required to pay a commitment fee of 0.1% per annum based on the unavailed portion of the credit line. As of December 31, 2017 and September 30, 2017, the Company has not used any of the aforementioned syndicated loans. However, in June 2018, the Group applied for the cancellation of the credit line in advance. As of September 30, 2018, the undrawn credit line of the syndicated loans amounting to \$1,000,000 had all been cancelled.
- B. The loan is classified as long-term liabilities since the term of the loan is more than one year and the Group plans to re-finance. Under the syndicated loan agreement, the credit line decreases equally during the remaining contract period from 3 years after the date of first drawdown.
- C. Under the Bank SinoPac borrowing contract, the Group should maintain the required current ratio, gearing ratio and interest coverage ratio based on the annual and semi-annual consolidated financial statements during the terms of the syndicated loans. The Group's financial ratios in the consolidated financial statements for the third quarter of 2018 met the financial commitment of abovementioned borrowing contract.
- D. The Group's liquidity risk is provided in Note 12.

(16) Pensions

A. Defined benefit pension plan

- (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Company and its domestic subsidiaries recognised pension costs of \$508, \$259, \$1,575 and \$794 for the three-month and nine-month periods

ended September 30, 2018 and 2017, respectively.

- (c) Expected contributions to the defined benefit pension plans of the Company and its domestic subsidiaries for the year ending December 31, 2019 amount to \$4,640.

B. Defined contribution pension plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s subsidiaries in Mainland China have a defined contribution plan in accordance with the pension regulations in the People’s Republic of China (PRC). These companies contribute monthly an amount based on 12%~20% of the employees’ monthly salaries based on the employees’ domiciles to their independent funds administered by the government. For the subsidiaries in Hong Kong, these companies and its employees each contribute monthly an amount equal to 5% of the employees’ monthly salaries pursuant to the legislation in Hong Kong. Each fund is managed by the government. Except for the monthly contribution, these companies have no other obligation.
- (c) The pension costs under the defined contribution pension plan of the Group for the three-month and nine-month periods ended September 30, 2018 and 2017 were \$45,902, \$35,722, \$132,636 and \$99,104, respectively.

(17) Share-based payment

- A. For the year ended December 31, 2017, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2017.11.13	5,479 thousand shares	-	Vested immediately

- B. The fair value of stock options granted on November 13, 2017 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividend	Risk-free interest rate	Fair value per unit (in dollars)
Cash capital increase reserved for employee preemption	2017.11.13	\$46.95	\$38	-	-	-	-	\$8.95



Compensation cost of share-based payment of \$49,037 was recognised for cash capital increase reserved for employee preemption for the year ended December 31, 2017.

(18) Share capital

- A. As of September 30, 2018, the Company's authorised capital was \$10,000,000, consisting of 1 billion shares of ordinary stock (including 82 million shares reserved for employee stock options), and the paid-in capital was \$5,551,889 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. Movements in the number of the Company's ordinary shares (including certificate of entitlement to new shares from convertible bonds) outstanding are as follows:

	<u>2018</u>	<u>2017</u>
	<u>Shares (in thousands)</u>	<u>Shares (in thousands)</u>
At January 1	552,262	471,519
Shares converted from bonds	<u>2,927</u>	<u>4,222</u>
At September 30	<u>555,189</u>	<u>475,741</u>

- C. As of September 30, 2018, convertible bonds amounting to \$82,000 in total par value were requested for conversion into 2,620 thousand ordinary shares. The amount was recorded under 'certificate of entitlement to new shares from convertible bonds' because the change in registration has not yet been completed.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. For the information relating to capital surplus-share options, please refer to Note 6(14).

	2018			Net change in equity of associates
	Share premium	Treasury share transactions	Stock options	
At January 1	\$ 8,565,163	\$ 40,742	\$ 46,675	\$ 8,159
Conversion of convertible bonds	65,196	-	( 3,464)	-
At September 30	<u>\$ 8,630,359</u>	<u>\$ 40,742</u>	<u>\$ 43,211</u>	<u>\$ 8,159</u>
	2017			Net change in equity of associates
	Share premium	Treasury share transactions	Stock options	
At January 1	\$ 6,268,305	\$ 40,742	\$ 54,332	\$ 8,680
Conversion of convertible bonds	146,720	-	( 7,608)	-
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	( 521)
At September 30	<u>\$ 6,415,025</u>	<u>\$ 40,742</u>	<u>\$ 46,724</u>	<u>\$ 8,159</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. Special reserve shall be set aside or reversed as required by regulations or the Competent Authority when necessary. The remainder, if any, along with beginning unappropriated earnings is the accumulated distributable earnings. The amounts of abovementioned accumulated distributable earnings to be reserved or to be allocated and the way of distribution shall be determined based on the Company's dividend policy, taking into account the indispensability of taking the earnings to back up the capital needs. The appropriation shall be proposed by the Board of Directors and resolved by the shareholders.
- B. The Company's dividend policy is regulated by the Board of Directors taking into consideration the Company's operations, future investment plans, capital budget and internal/external situations. As the Company is in the growth stage, most of retained earnings will be used to support business development and investment requirements and consequently, the minimum cash dividend and extra dividend policy is adopted by the Company. The Company's dividend policy is summarised below:

At least 40% of the Company's earnings shall be appropriated as stock dividends and cash dividends, taking into account profits in the future and capital needs, and cash dividends shall

account for at least 10% of the total dividends distributed. In the event the total earnings appropriation exceeds 30% of the Company's paid-in capital before appropriation, cash dividends shall account for at least 20% of the total dividends distributed.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. According to the resolutions adopted by the stockholders during their meetings in June 2018 and 2017, the distribution information of the Company's 2017 and 2016 earnings is as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 251,990	\$ -	\$ 169,946	\$ -
Special reserve	109,102	-	-	-
Cash dividends	<u>1,381,423</u>	2.5	<u>1,141,780</u>	2.4
	<u>\$ 1,742,515</u>		<u>\$ 1,311,726</u>	

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(28).

(21) Other equity items

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2018	\$ 865,950	(\$ 975,052)	(\$ 109,102)
Effects on retrospective application of IFRS 9	( 22,321)	-	( 22,321)
Valuation adjustment on equity instruments	( 243,528)	-	( 243,528)
Disposals reclassified as retained earnings	( 253,901)	-	( 253,901)
Currency translation differences:			
– Group	-	448,701	448,701
– Associates	-	( 5,546)	( 5,546)
At September 30, 2018	<u>\$ 346,200</u>	<u>(\$ 531,897)</u>	<u>(\$ 185,697)</u>

	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1, 2017	\$ 1,017,416	\$ 162,084	\$ 1,179,500
Valuation losses on equity instruments	( 212,773)	-	( 212,773)
Currency translation differences:			
– Group	-	( 835,366)	( 835,366)
– Associates	-	( 3,378)	( 3,378)
At September 30, 2017	<u>\$ 804,643</u>	<u>(\$ 676,660)</u>	<u>\$ 127,983</u>

(22) Non-controlling interests

	2018	2017
At January 1	\$ 634	\$ 640
Share attributable to non-controlling interest:		
Profit for the period	224	162
Exchange differences on translation of foreign financial statements	3	( 73)
Unrealised gains on available-for-sale financial assets	-	4
Unrealised financial assets at fair value through other comprehensive income	4	-
Decrease in non-controlling interests	( 215)	( 172)
At September 30	<u>\$ 650</u>	<u>\$ 561</u>

(23) Operating revenue

	For the three-month periods ended September 30,	
	2018	2017
Sale of electronic components	\$ 84,737,203	\$ 50,785,456
Other operating revenue	33,303	47,481
	<u>\$ 84,770,506</u>	<u>\$ 50,832,937</u>
	For the nine-month periods ended September 30,	
	2018	2017
Sale of electronic components	\$ 187,550,489	\$ 129,433,251
Other operating revenue	103,472	141,577
	<u>\$ 187,653,961</u>	<u>\$ 129,574,828</u>

- A. The Group's revenue from customers' contracts primarily arise from the transfer of goods at a point in time.
- B. The Group has recognised the following revenue-related and contract liabilities provisions for estimated sales discounts:

	September 30, 2018
Refund liabilities-sales discounts and returns	\$ 1,543,882
Contract liabilities-advance sales receipts	<u>\$ 152,703</u>

(24) Other income

	For the three-month periods ended September 30,	
	2018	2017
Interest income	\$ 1,289	\$ 831
Dividend income	11,856	8,083
Rent revenue	649	716
Other income	1,739	75
	<u>\$ 15,533</u>	<u>\$ 9,705</u>
	For the nine-month periods ended September 30,	
	2018	2017
Interest income	\$ 6,567	\$ 5,795
Dividend income	17,588	8,250
Rent revenue	1,948	2,013
Other income	6,132	4,644
	<u>\$ 32,235</u>	<u>\$ 20,702</u>

(25) Other gains and losses

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Foreign exchange loss, net	\$ 1,057	(\$ 3,624)
Gain on financial assets and liabilities at fair value through profit or loss - derivatives	6,316	-
Impairment of financial instruments	-	( 7,669)
Loss on disposal of property, plant and equipment	( 305)	( 88)
Gain on disposal of investment	-	61,694
Other losses	( 2,664)	40
	<u>\$ 4,404</u>	<u>\$ 50,353</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Foreign exchange loss, net	(\$ 1,431)	(\$ 53,256)
Gain on financial assets and liabilities at fair value through profit or loss - derivatives	76,109	-
Gain on financial assets at fair value through profit or loss – equity instruments	2,120	-
Impairment of financial instruments	-	( 7,669)
Loss on disposal of property, plant and equipment	( 392)	( 88)
Gain on disposal of investment	-	151,160
Other losses	( 5,931)	( 1,847)
	<u>\$ 70,475</u>	<u>\$ 88,300</u>

(26) Finance costs

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank borrowings	\$ 243,334	\$ 124,946
Convertible bonds	4,098	4,274
Interest of short-term notes	3,004	2,192
Financing charges on accounts receivable factoring	174,014	94,335
Other finance costs	6,773	5,979
	<u>\$ 431,223</u>	<u>\$ 231,726</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest expense:		
Bank borrowings	\$ 653,851	\$ 348,317
Convertible bonds	12,528	13,347
Interest of short-term notes	8,152	4,429
Financing charges on accounts receivable factoring	464,084	260,571
Other finance costs	22,210	18,149
	<u>\$ 1,160,825</u>	<u>\$ 644,813</u>

(27) Expenses by nature

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Employee benefit expense	\$ 818,680	\$ 658,061
Depreciation	21,962	16,000
Amortisation	2,579	3,096
	<u>\$ 843,221</u>	<u>\$ 677,157</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Employee benefit expense	\$ 2,388,994	\$ 1,738,834
Depreciation	59,022	45,191
Amortisation	7,906	7,401
	<u>\$ 2,455,922</u>	<u>\$ 1,791,426</u>

(28) Employee benefit expense

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Employee benefit expense		
Wages and salaries	\$ 666,149	\$ 546,240
Labour and health insurance fees	24,934	20,562
Pension costs	46,410	35,981
Other personnel expenses	81,187	55,278
	<u>\$ 818,680</u>	<u>\$ 658,061</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Employee benefit expense		
Wages and salaries	\$ 1,973,023	\$ 1,424,806
Labour and health insurance fees	76,438	63,077
Pension costs	134,211	99,898
Other personnel expenses	<u>205,322</u>	<u>151,053</u>
	<u>\$ 2,388,994</u>	<u>\$ 1,738,834</u>

- A. In accordance with the Articles of Incorporation of the Company as approved by the stockholders on June 3, 2016, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2018 and 2017, employees' compensation was accrued at \$11,040, \$8,380, \$25,150 and \$20,650, respectively; while directors' and supervisors' remuneration was accrued at \$3,000, \$3,375, \$9,000 and \$10,125, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on distributable profit of current year for the nine-month periods ended September 30, 2018 and 2017.

Employees' bonus and directors' and supervisors' remuneration for 2017 as resolved by the directors during their meeting were in agreement with those amounts recognised in profit or loss for 2017.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.



(29) Income tax

A. Income tax expense

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profit for the period	\$ 314,908	\$ 182,923
Prior year income tax under (over) estimation	169	( 54)
Total current tax	<u>315,077</u>	<u>182,869</u>
Deferred tax:		
Origination and reversal of temporary differences	( 47,509)	( 32,731)
Effect of exchange rate	389	169
Total deferred tax	<u>( 47,120)</u>	<u>( 32,562)</u>
Income tax expense	<u>\$ 267,957</u>	<u>\$ 150,307</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profit for the period	\$ 612,608	\$ 467,521
Tax on undistributed surplus earnings	77,023	37,950
Prior year income tax (over) under estimation	( 569)	1,361
Total current tax	<u>689,062</u>	<u>506,832</u>
Deferred tax:		
Origination and reversal of temporary differences	4,730	( 78,278)
Impact of change in tax rate	( 26,372)	-
Effect of exchange rate	( 776)	397
Total deferred tax	<u>( 22,418)</u>	<u>( 77,881)</u>
Income tax expense	<u>\$ 666,644</u>	<u>\$ 428,951</u>

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Currency translation differences	(\$ 228)	\$ -
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Currency translation differences	(\$ 624)	\$ -
Impact of change in tax rate	839	-
	<u>\$ 215</u>	<u>\$ -</u>

- C. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.
- D. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share

	<u>For the three-month period ended September 30, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 987,498	553,168	\$ 1.79
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	987,498	553,168	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	4,098	38,791	
Employees' compensation	-	259	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 991,596	592,218	\$ 1.67

For the three-month period ended September 30, 2017

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 767,747	476,578	\$ 1.61
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	767,747	476,578	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	4,274	37,127	
Employees' compensation	-	431	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 772,021	514,136	\$ 1.50

For the nine-month period ended September 30, 2018

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 2,187,934	552,739	\$ 3.96
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	2,187,934	552,739	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	12,528	39,202	
Employees' compensation	-	640	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,200,462	592,581	\$ 3.71

	<u>For the nine-month period ended September 30, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to shareholders of the parent	\$ 1,816,989	475,287	\$ 3.82
<u>Diluted earnings per share</u>			
Profit attributable to shareholders of the parent	1,816,989	475,287	
Assumed conversion of all dilutive potential ordinary shares			
Conversion of convertible bonds	13,347	38,464	
Employees' compensation	-	637	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,830,336	514,388	\$ 3.56

(31) Business combination

The following business combinations occurred during the nine-month periods ended September 30, 2018 and 2017:

A. Acquisition of all the equity shares of Maxtek Technology Co., Ltd. ("Maxtek") and its subsidiaries

(a) In accordance with the resolution adopted by the stockholders in June, 2017, the Company decided to acquire all shares of Maxtek Technology Co., Ltd. (Maxtek) through stock swap at \$27 (in dollars) per share. Total acquisition consideration was \$1,895,949, and the effective date was October 1, 2017. Maxtek engages mainly in the sales of integrated circuits and other electronic components. The purpose for the acquisition was to integrate resources and expand operating scales and enhance competition, as well as to improve the diversity of the Group's product and customer services.

(b) The following table summarises the consideration paid for Maxtek Technology Co., Ltd. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

Purchase consideration - Cash	\$ 1,895,949
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	1,286,308
Notes and accounts receivable	4,114,423
Other receivables	78,185
Inventories	1,367,045
Prepayments	80,138
Other current assets	425,878
Non-current available-for-sale financial assets	112,113
Property, plant and equipment	16,430
Intangible assets	5,949
Deferred income tax assets	35,276
Other non-current assets	15,026
Short-term borrowings	( 4,118,893)
Accounts payable	( 1,470,028)
Other payables	( 139,918)
Current income tax liabilities	( 14,436)
Other current liabilities	( 27,024)
Deferred income tax liabilities	( 66,056)
Net defined benefit liability	( 50,753)
Other non-current liabilities	( 16)
Total identifiable net assets	<u>1,649,647</u>
Goodwill	<u>\$ 246,302</u>

- (c) On October 1, 2017, Maxtek Technology Co., Ltd. was included in the Group. Had Maxtek Technology Co., Ltd. been consolidated from January 1, 2017, the consolidated statement of comprehensive income would show operating revenue of \$55,018,652 and \$139,871,164 and profit before income tax of \$955,111 and \$2,265,265 for the three-month and nine-month periods ended September 30, 2017, respectively.
- B. The subsidiary, Morrihan International Corp., acquired a part of the electronic component distribution business of Promate Electronic Co., Ltd. (“Promate Electronic”).
- (a) On October 31, 2017, the Group signed a business transfer agreement with Promate Electronic, acquiring a part of the company’s electronic component distribution business for \$17,500. The record date of the transfer was February 1, 2018.
- (b) Promate Electronic is a distributor of electronic components with the greater China region as its primary market.
- (c) As of September 30, 2018, actual payment of \$22,439 was made in full under the business transfer agreement, after the amount was adjusted pursuant to certain terms in the agreement.

(d) Information on the acquisition of the distribution business is as follows:

Purchase consideration-cash	\$	22,439
Less: Fair value of the identifiable net assets		<u>-</u>
Goodwill	\$	<u>22,439</u>

As of September 30, 2018, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

(32) Supplemental cash flow information

A. Cash paid for property, plant and equipment:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Purchase of property, plant and equipment	\$ 99,312	\$ 76,082
Add: Opening balance of payable on equipment	10,216	-
Ending balance of prepayments for business facilities	16,278	-
Less: Ending balance of payable on equipment	( 3,532)	-
Opening balance of prepayments for business facilities	( 11,247)	-
Effect of foreign exchange	1	-
Cash paid during the period	<u>\$ 111,028</u>	<u>\$ 76,082</u>

B. Cash paid for business combinations:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Purchase of intangible assets	\$ 22,439	\$ -
Add: Ending balance of prepayments	49,970	-
Cash paid during the period	<u>\$ 72,409</u>	<u>\$ -</u>

(33) Changes in liabilities from financing activities

For the nine-month period ended September 30, 2018, the changes in liabilities from financing activities were primarily from borrowing, repayment, discount amortisation, conversion of corporate bonds, and changes in foreign exchange rates. Please refer to the consolidated statements of cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Company's significant related party transactions are included in the consolidated financial statements. The related transactions were eliminated when preparing the consolidated financial statements. Details of transactions with other related parties are provided in Note 13.

(2) Key management compensation

	For the three-month periods ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 11,295	\$ 20,533
Post-employment benefits	72	323
	<u>\$ 11,367</u>	<u>\$ 20,856</u>

  

	For the nine-month periods ended September 30,	
	2018	2017
Salaries and other short-term employee benefits	\$ 50,094	\$ 59,874
Post-employment benefits	644	935
	<u>\$ 50,738</u>	<u>\$ 60,809</u>

8. PLEDGED ASSETS

The details of the Group's assets pledged as collateral are as follows:

Pledged asset	Purpose	Book value		
		September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable, net:				
Pledged accounts receivable	Bank loan	\$ -	\$ 881,273	\$ -
Other current assets:				
Bank deposits	Bank loan	175,213	394,032	-
	Guarantee for customs duties	10,644	27,409	27,376
	Bid bond	2,961	2,887	2,941
		<u>\$ 188,818</u>	<u>\$ 1,305,601</u>	<u>\$ 30,317</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Most of the Group's operating leases are for the lease of offices and warehouses which can be renewed at market price at the end of the lease period. The total minimum future lease payments are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than one year	\$ 180,333	\$ 152,278	\$ 142,918
Later than one year but not later than five years	444,650	304,350	306,777
Over 5 years	167,102	211,845	225,285
	<u>\$ 792,085</u>	<u>\$ 668,473</u>	<u>\$ 674,980</u>

## B. Outstanding letters of credit

The amounts of outstanding letters of credit for the purchase of inventories by the Group are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Outstanding letters of credit	<u>\$ 5,119,148</u>	<u>\$ 4,986,386</u>	<u>\$ 4,154,806</u>

## C. Guarantee for customs duties

The total guarantee for customs duties is as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Customs duties guarantee	<u>\$ 84,576</u>	<u>\$ 69,409</u>	<u>\$ 47,376</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the financial debt ratio. This ratio is calculated as total liabilities with interests divided by total net assets. Total liabilities with interest is calculated as total amount of long-term and short-term borrowings, short-term bills payable and corporate bonds payable in the consolidated balance sheet. Total equity is calculated as the 'equity' in the consolidated balance sheet.

In 2018, the Group's strategy was to maintain the financial debt ratio below 250%.

### (2) Financial instruments

#### A. Financial instruments by category

The types of financial instruments held by the Group include cash and cash equivalents, financial assets measured at fair value through other comprehensive income/available-for-sale financial assets, net accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, financial assets and liabilities measured at fair value through profit or loss, accounts payable, other payables, bonds payable, and long-term loans. Please refer to Note 6 and the consolidated balance sheets for more information.

#### B. Risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments,



such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. In addition, foreign exchange risk is managed by matching the payment periods of foreign currency assets and liabilities.

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
  - (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(12).
- C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(12).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$1,629,743	30.525	\$ 49,747,905	1%	\$ 497,479
USD:RMB	2,193	6.8830	66,941	1%	669
USD:KRW	20,041	1,112.8	611,752	1%	6,118
<u>Non-monetary items</u>					
USD:NTD	12,707	30.525	387,883		
<u>Foreign operations</u>					
USD:NTD	347,289	30.525	10,590,569		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,532,569	30.525	46,781,669	1%	467,817
USD:RMB	30,239	6.8830	923,045	1%	9,230
USD:KRW	26,159	1,112.8	798,503	1%	7,985

December 31, 2017

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 803,612	29.76	\$ 23,915,493	1%	\$ 239,155
USD:RMB	6,407	6.5148	41,740	1%	417
<u>Non-monetary items</u>					
USD:NTD	30,119	29.76	896,342		
<u>Foreign operations</u>					
USD:NTD	354,650	29.76	10,541,188		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	819,737	29.76	24,395,373	1%	243,954
USD:RMB	18,695	6.5148	121,794	1%	1,218

September 30, 2017

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis	
				Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	\$ 801,565	30.315	\$ 24,299,443	1%	\$ 242,994
USD:RMB	7,362	6.6443	223,179	1%	2,232
<u>Non-monetary items</u>					
USD:NTD	27,821	30.315	843,400		
<u>Foreign operations</u>					
USD:NTD	320,281	30.315	9,716,978		
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	837,282	30.315	25,382,204	1%	253,822
USD:RMB	20,066	6.6443	608,301	1%	6,083

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2018 and 2017, amounted to \$1,057, (\$3,624), (\$1,431) and (\$53,256), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the nine-month periods ended September 30, 2018 and 2017, other components of equity would have increased/decreased by \$6,394 and \$9,575, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates and advance receipt of factoring accounts receivable, which expose the Group to cash flow interest rate risk. During the nine-month periods ended September 30, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in US Dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 25 basis point with all other variables held constant, profit, net of tax for the nine-month periods ended September 30, 2018 and 2017 would have increased/decreased by \$47,844 and \$48,025, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. If the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 180 days.
- iv. The ageing analysis of accounts receivable (including overdue receivables) and notes receivable is as follows:

	<u>Notes and accounts receivable</u>		
	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Not past due	\$ 40,460,343	\$ 26,313,778	\$ 25,358,066
Up to 90 days	5,863,801	5,992,844	4,515,069
91 to 180 days	274,305	90,447	45,544
Over 181 days	1,100,939	1,116,621	1,192,838
	<u>\$ 47,699,388</u>	<u>\$ 33,513,690</u>	<u>\$ 31,111,517</u>

- (i) The above ageing analysis was based on days past due.
- (ii) Abovementioned notes receivable are not past due.
- v. The Group assesses the expected credit losses of its accounts receivable as follows:
  - (i) Accounts receivable that are significantly past due are assessed individually for their expected credit losses;
  - (ii) The remaining receivables are segmented according to the Group's credit ratings of its customers. Different loss rates or provision matrices are applied to the different segments when estimating expected credit losses;
  - (iii) Loss rates, calculated from historical and current information, are adjusted according to forward-looking information such as the business indicators published by the National Development Council.
  - (iv) As of September 30, 2018, loss allowances of accounts receivable and notes receivable calculated from individual assessment or using the loss rate methodology and provision matrix are as follows:

<u>September 30,</u> <u>2018</u>	<u>Individual</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
Expected loss rate	90.02%	0.05%	0.05%	0.02%~13.73%	5.33%~15.26%	
Total book value	<u>\$ 1,257,618</u>	<u>\$ 16,737,345</u>	<u>\$ 9,325,203</u>	<u>\$ 18,879,271</u>	<u>\$ 1,499,951</u>	<u>\$ 47,699,388</u>
Loss allowance	<u>\$ 1,132,097</u>	<u>\$ 8,369</u>	<u>\$ 4,663</u>	<u>\$ 13,055</u>	<u>\$ 120,615</u>	<u>\$ 1,278,799</u>

Group A: Customers with excellent credit rating

Group B: Customers with fine credit rating

Group C: Customers with normal credit rating

Group D: Rated as other than A, B and C

- vi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable (including overdue receivables) are as follows:

	<u>For the nine-month</u> <u>period ended</u> <u>September 30, 2018</u>
At January 1_IAS 39	\$ 1,101,896
Adjustments under new standards	<u>97,989</u>
At January 1_IFRS 9	1,199,885
Provision for impairment	61,476
Effect of exchange rate changes	<u>17,438</u>
At September 30	<u>\$ 1,278,799</u>

- vii. Credit risk information for 2017 and nine-month period ended September 30, 2017 are provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(15)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internally assessed financial ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and expects to readily generate cash inflows for managing liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2018

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Bonds payable	\$ 1,150,000	\$ -	\$ -	\$ 1,150,000
Long-term borrowings	<u>994,200</u>	<u>184,600</u>	<u>-</u>	<u>1,178,800</u>
	<u>\$ 2,144,200</u>	<u>\$ 184,600</u>	<u>\$ -</u>	<u>\$ 2,328,800</u>

December 31, 2017

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Bonds payable	\$ -	\$ 1,242,200	\$ -	\$ 1,242,200
Long-term borrowings	<u>-</u>	<u>863,080</u>	<u>119,040</u>	<u>982,120</u>
	<u>\$ -</u>	<u>\$ 2,105,280</u>	<u>\$ 119,040</u>	<u>\$ 2,224,320</u>

September 30, 2017

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
Bonds payable	\$ -	\$ 1,243,500	\$ -	\$ 1,243,500

Except for the abovementioned, the Group's non-derivative financial liabilities will be due in one year.

Derivative financial liabilities

As of September 30, 2018 and December 31, 2017, all derivative financial liabilities of the Group mature within a year.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. This includes the fair value of all investments in publicly listed companies.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes the fair value of all investments in derivative financial instruments.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(7).
- C. The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, notes and accounts receivable, other receivables, other current assets, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, corporate bonds payable and long-term borrowings, are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

September 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Derivative instrument	\$ -	\$ 1,155	\$ -	\$ 1,155
Financial assets at fair value through other comprehensive income				
Equity securities	<u>599,753</u>	<u>-</u>	<u>39,668</u>	<u>639,421</u>
	<u>\$ 599,753</u>	<u>\$ 1,155</u>	<u>\$ 39,668</u>	<u>\$ 640,576</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ -</u>	<u>\$ 1,002</u>

December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 1,108,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,108,938</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Derivative instrument	<u>\$ -</u>	<u>\$ 7,777</u>	<u>\$ -</u>	<u>\$ 7,777</u>

September 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets				
Equity securities	<u>\$ 957,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957,487</u>



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

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	$\frac{\text{Listed shares}}{\text{Closing price}}$
---------------------	---

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
  - iii. When assessing non-standard and low-complexity financial instruments, for example, cross currency swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
  - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
  - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
  - vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- E. For the nine-month periods ended September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2018 and 2017:

	Equity securities	
	2018	2017
At January 1	\$ -	\$ -
Adjustment on transfer under IFRS 9	9,143	-
Acquired in the period	29,105	-
Effect of exchange rate changes	1,420	-
At September 30	<u>\$ 39,668</u>	<u>\$ -</u>

For the nine-month periods ended September 30, 2018 and 2017, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:		Latest transaction price without active market			
Unlisted shares	<u>\$ 39,668</u>		N/A	N/A	N/A

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Please refer to Note 4 to the consolidated financial statements for the year ended December 31, 2017 for detailed information on significant accounting policies.

B. The reconciliation of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	<u>Available- for-sale- equity-current</u>	<u>Available- for-sale-equity- non-current</u>			<u>Effects</u>	
	Measured at fair value through other comprehensive income- equity-current	Measured at fair value through other comprehensive income-equity- non-current	Measured at cost	Total	Retained earnings	Other equity
<b>IAS 39</b>	\$ 466,686	\$ 642,252	\$ 9,143	\$ 1,118,081	\$ -	\$ -
Transferred into and measured at fair value through other comprehensive income-equity	-	9,143	( 9,143)	-	-	-
Impairment loss adjustment	-	-	-	-	22,321	( 22,321)
<b>IFRS 9</b>	<u>\$ 466,686</u>	<u>\$ 651,395</u>	<u>\$ -</u>	<u>\$ 1,118,081</u>	<u>\$ 22,321</u>	<u>( \$ 22,321)</u>

C. The reconciliation of allowance for impairment from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	<u>Accounts receivable</u>
<b>IAS 39</b>	\$ 32,326,085
Impairment loss adjustment	( 97,989)
<b>IFRS 9</b>	<u>\$ 32,228,096</u>

D. The significant accounts as of December 31, 2017, September 30, 2017 and for the third quarter of 2017, are as follows:

(a) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Listed stocks	\$ 29,050	\$ 33,515
Valuation adjustment	<u>437,636</u>	<u>447,970</u>
	<u>\$ 466,686</u>	<u>\$ 481,485</u>
	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Non-current items:		
Listed stocks	\$ 67,560	\$ 67,917
Emerging stocks	<u>26,551</u>	<u>13,766</u>
	94,111	81,683
Valuation adjustment	<u>548,141</u>	<u>394,319</u>
	<u>\$ 642,252</u>	<u>\$ 476,002</u>

- i. Please refer to Note 6(21) for information on changes in fair value recognised in other comprehensive income in the second quarter of 2017. This included amounts resulting from the disposal of certain financial assets, which were reclassified from “unrealised gains or losses on available-for-sale financial assets” to “other gains and losses-gains on investment disposals”. Please refer to Note 6(25) for more information.
- ii. The Group has no debt instruments available-for-sale financial assets.
- iii. As of December 31, 2017 and September 30, 2017, no available-for-sale financial assets held by the Group were pledged to others.

(b) Financial assets at cost

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Non-current items:		
Unlisted shares	<u>\$ 9,143</u>	<u>\$ 9,143</u>

- i. According to the Group’s intention, its investment in unlisted stocks should be classified as ‘available-for-sale financial assets’. However, as unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to unlisted Corporation’s financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’.
- ii. As of December 31, 2017 and September 30, 2017, no financial assets measured at cost held by the Group were pledged to others.

E. Credit risk information on December 31, 2017, September 30, 2017 and for the third quarter of 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions and government organisations with investment grade or above have no significant compliance concern, there is no significant credit risk.
- (b) For the nine-month period ended September 30, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Group A	\$ 7,016,237	\$ 4,936,335
Group B	6,195,663	6,434,392
Group C	12,803,577	13,473,541
Group D	<u>242,189</u>	<u>479,948</u>
	<u>\$ 26,257,666</u>	<u>\$ 25,324,216</u>

Group A : Customers with excellent credit rating

Group B : Customers with fine credit rating

Group C : Customers with normal credit rating

Group D : Rated as other than A, B or C.

- (d) The ageing analysis of notes and accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Up to 30 days	\$ 4,969,824	\$ 4,090,164
31 to 180 days	1,056,524	475,115
181 to 365 days	7,352	11,026
Over 365 days	<u>120,428</u>	<u>166,740</u>
	<u>\$ 6,154,128</u>	<u>\$ 4,743,045</u>

The above aging analysis was based on past due date.

(e) As of December 31, 2017 and September 30, 2017, the Group's accounts receivable that were impaired amounted to \$1,101,896 and \$1,044,256, respectively.

Movements in allowance for individual provision for doubtful accounts were as follows:

	<u>2017</u>
At January 1	\$ 908,998
Provision for doubtful accounts	176,153
Effect of changes in exchange rate	( 40,895)
At September 30	<u>\$ 1,044,256</u>

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. Please refer to Note 4 to the consolidated financial statements for the year ended December 31, 2017 for detailed information on significant accounting policies.

B. In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

(a) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as contract liabilities, but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to \$1,218,886.

(b) Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as other current liabilities-advance sales receipts in the balance sheet. As of January 1, 2018, the balance amounted to \$102,535.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(12).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Note 13(1).

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the development and sales of electronic and communication components. The chief operating decision maker considered the business and determined the separate segments from a perspective of sales region, which are mainly divided into Greater China, South Asia and North Asia. The Group has identified the Greater China shall be a reportable operating segment, and for other segments which have not met the quantitative threshold are not disclosed individually.

The Group's operating segment information is prepared in accordance with the Group's accounting policies. The chief operating decision maker allocates resources and assesses performance of the operating segments primarily based on the operating revenue and profit (loss) before tax of individual operating segment.

(2) Financial information of reportable segment

The financial information on reportable segment provided to the chief operating decision maker is as follows:

	<u>Greater China Region</u>	
	<u>For the three-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue from external customers	\$ 80,272,714	\$ 45,136,770
Segment income	\$ 1,226,293	\$ 842,675
Segment assets (Note)	\$ -	\$ -
	<u>Greater China Region</u>	
	<u>For the nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue from external customers	\$ 173,189,499	\$ 114,669,606
Segment income	\$ 2,758,333	\$ 2,031,242
Segment assets (Note)	\$ -	\$ -

Note: The chief operating decision maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(3) Reconciliation information on reportable segment revenue and profit (loss)

A reconciliation of reportable segment income or loss to the income / (loss) before tax from continuing operations is as follows:

	<u>For the three-month periods ended September 30,</u>	
<u>Operating revenue</u>	<u>2018</u>	<u>2017</u>
Total reported segment revenue	\$ 80,272,714	\$ 45,136,770
Other operating segment revenue	4,497,792	5,696,167
Total operating revenue	<u>\$ 84,770,506</u>	<u>\$ 50,832,937</u>
	<u>For the nine-month periods ended September 30,</u>	
<u>Operating revenue</u>	<u>2018</u>	<u>2017</u>
Total reported segment revenue	\$ 173,189,499	\$ 114,669,606
Other operating segment revenue	14,464,462	14,905,222
Total operating revenue	<u>\$ 187,653,961</u>	<u>\$ 129,574,828</u>
	<u>For the three-month periods ended September 30,</u>	
<u>Profit and loss</u>	<u>2018</u>	<u>2017</u>
Income of reported segment	\$ 1,226,293	\$ 842,675
Income of other operating segments	29,248	75,433
Income before income tax from continuing operations	<u>\$ 1,255,541</u>	<u>\$ 918,108</u>
	<u>For the nine-month periods ended September 30,</u>	
<u>Profit and loss</u>	<u>2018</u>	<u>2017</u>
Income of reported segment	\$ 2,758,333	\$ 2,031,242
Income of other operating segments	96,469	214,860
Income before income tax from continuing operations	<u>\$ 2,854,802</u>	<u>\$ 2,246,102</u>



WT Microelectronics Co., Ltd. and subsidiaries  
Loans to others  
For the nine-month period ended September 30, 2018

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Creditor		Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2018	Balance at September 30, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance		Limit on loans		Ceiling on total loans granted	Footnote
													doubtful accounts	Collateral Item Value	granted to a single party			
0	WT MICROELECTRONICS LTD.	CO.,	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables	Y	\$ 897,500	\$ 887,000	\$ 399,150	1.00%	Short-term financing	\$ -	Business Operation	\$ -	-	\$ -	\$ 2,108,092	\$ 8,432,370	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	MORRIHAN INTERNATIONAL CORP.	Other receivables	Y	1,200,000	-	-	1.80%	Short-term financing	-	Business Operation	-	-	-	2,108,092	8,432,370	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	MAXTEK TECHNOLOGY CO., LTD.	Other receivables	Y	350,000	350,000	305,250	1.80%	Short-term financing	-	Business Operation	-	-	-	2,108,092	8,432,370	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	HONGTECH ELECTRONICS CO., LTD.	Other receivables	Y	350,000	350,000	305,250	1.80%	Short-term financing	-	Business Operation	-	-	-	2,108,092	8,432,370	Note 3
0	WT MICROELECTRONICS LTD.	CO.,	LACEWOOD INTERNATIONAL CORP.	Other receivables	Y	306,750	305,250	289,988	1.80%	Short-term financing	-	Business Operation	-	-	-	2,108,092	8,432,370	Note 3
1	WT MICROELECTRONICS (HONG KONG) LIMITED		WT SOLOMON QCE LIMITED	Other receivables	Y	766,875	-	-	2.00%	Short-term financing	-	Business Operation	-	-	-	1,729,402	1,729,402	Note 2
2	WINTech MICROELECTRONICS HOLDING LIMITED		WINTech MICROELECTRONICS LTD.	Other receivables	Y	671,550	671,550	601,343	2.00%	Short-term financing	-	Business Operation	-	-	-	8,765,763	8,765,763	Note 2
3	WT MICROELECTRONICS (SHENZHEN) CO., LTD.		WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Other receivables	Y	187,044	177,400	-	1.00%	Short-term financing	-	Business Operation	-	-	-	745,850	745,850	Note 2
4	BSI SEMICONDUCTOR PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables	Y	291,413	289,988	289,988	2%~2.3%	Short-term financing	-	Business Operation	-	-	-	486,481	486,481	Note 2
5	MORRIHAN SINGAPORE PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables	Y	238,080	-	-	2.00%	Short-term financing	-	Business Operation	-	-	-	143,395	143,395	Note 2
6	MSD HOLDING PTE. LTD.		WT MICROELECTRONICS SINGAPORE PTE. LTD.	Other receivables	Y	85,890	85,470	85,470	2.30%	Short-term financing	-	Business Operation	-	-	-	87,491	87,491	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries and limit on loans granted by an overseas subsidiary to a single overseas subsidiary are the Creditor's net assets.

Note 3: The policy for loans between the Company and subsidiaries is as follows: limit on loans granted by subsidiary to a single party is 10% of the subsidiary's net assets, based on the most recent audited financial statements of the company; ceiling on total loans granted by an subsidiary is 40% of the subsidiary's net assets.

Note 4: The net assets referred to above are based on the latest audited or reviewed financial statements.

WT Microelectronics Co., Ltd. and subsidiaries  
Provision of endorsements and guarantees to others  
For the nine-month period ended September 30, 2018

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser / guarantor (Note 2)	Limit on endorsements / guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of September 30, 2018	Outstanding endorsement / guarantee amount at September 30, 2018	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/guarante e amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Footnote
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	2	\$ 16,864,739	\$ 350,000	\$ 350,000	\$ 350,000	-	1.66%	\$ 16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	2	16,864,739	250,000	250,000	220,495	-	1.19%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	2	16,864,739	153,375	152,625	59,522	-	0.72%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	2	16,864,739	613,500	610,500	-	-	2.90%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	2	16,864,739	2,147,250	2,136,750	-	-	10.14%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	2	16,864,739	89,280	64,103	43,189	-	0.30%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	2	16,864,739	1,534	1,526	59	-	0.01%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN SINGAPORE PTE. LTD.	2	16,864,739	306,750	305,250	-	-	1.45%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	LACEWOOD INTERNATIONAL CORP.	2	16,864,739	245,400	244,200	-	-	1.16%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	2	16,864,739	3,326,960	3,304,580	1,420,116	-	15.68%	16,864,739	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	2	16,864,739	1,574,762	1,540,413	667,539	-	7.31%	16,864,739	Y	N	Y	
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	2	16,864,739	184,050	183,150	64,486	-	0.87%	16,864,739	Y	N	N	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	2	16,864,739	1,236,000	1,236,000	1,221,000	-	5.86%	16,864,739	Y	N	N	
1	TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL INC.	1	1,160,222	10,000	10,000	10,000	-	0.69%	1,160,222	N	N	N	Note 4
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN INTERNATIONAL CORP.	1	2,924,281	13,000	13,000	13,000	-	0.36%	2,924,281	N	N	N	Note 4
3	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	1	879,230	56,113	53,220	26,610	10,644	4.84%	879,230	N	N	Y	Note 4
4	MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	3	1,563,613	555,980	312,625	49,383	-	16.00%	1,563,613	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	1,563,613	225,484	213,625	-	-	10.93%	1,563,613	N	N	N	
4	MAXTEK TECHNOLOGY CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	1	1,563,613	9,500	9,500	9,500	-	0.49%	1,563,613	N	N	N	Note 4
5	HONGTECH ELECTRONICS CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	1	452,362	9,500	9,500	9,500	-	1.68%	452,362	N	N	N	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following three categories:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Note 3: The total endorsements and guarantees of the Company to others or mutually between subsidiaries should not be in excess of 80% of the endorser/ guarantor's net assets, and for a single party the Company and its subsidiaries hold more than 50% of common shares should not be in excess of 80% of the Company's net assets. The net assets referred to above are based on the latest audited or reviewed financial statements.

Note 4: The Company's subsidiaries' guarantee for customs duties to itself.

WT Microelectronics Co., Ltd. and subsidiaries  
Holding of marketable securities (not including subsidiaries, associates and joint ventures)  
For the nine-month period ended September 30, 2018

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Type of securities	Name of securities	Relationship with the securities issuer	General ledger account (Note 1)	As of September 30, 2018				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
WT MICROELECTRONICS CO., LTD.	Common stock	TERAWINS, INC.	None	2	666,248	\$ 5,963	2.19	\$ 5,963	
WT MICROELECTRONICS CO., LTD.	Common stock	AIPTEK INTERNATIONAL INC.	None	2	309,929	-	0.31	-	
WT MICROELECTRONICS CO., LTD.	Common stock	SANJET TECHNOLOGY CORP.	None	2	43,588	205	0.14	205	
WT MICROELECTRONICS CO., LTD.	Common stock	CORERIVER SEMICONDUCTOR CO., LTD.	None	2	28,570	2,675	0.73	2,675	
WT MICROELECTRONICS CO., LTD.	Common stock	FORTUNE SERVICE INNOVATION FUND I	None	2	30,000	300	3.00	300	
NUVISION TECHNOLOGY INC.	Common stock	EIRGENIX, INC.	None	2	711,587	22,700	0.57	22,700	
WINTech MICROELECTRONICS HOLDING LTD.	Common stock	AMBARELLA INC.	None	1、2	302,664	357,358	0.90	357,358	
WINTech MICROELECTRONICS HOLDING LTD.	Preferred shares	LIFEMAX HEALTHCARE INTERNATIONAL CORPORATION.	None	2	2,702,703	30,525	0.79	30,525	
MILESTONE INVESTMENT CO.,LTD.	Common stock	GRAND FORTUNE SECURITIES CO.,LTD	None	2	5,637,500	53,166	2.33	53,166	
MAXTEK TECHNOLOGY CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	2,967,505	132,588	2.10	132,588	
HONGTECH ELECTRONICS CO., LTD.	Common stock	FITIPOWER INTEGRATED TECHNOLOGY INC.	None	2	759,652	33,941	0.54	33,941	

Note 1 : Code of general ledger accounts: 1- Financial assets at fair value through other comprehensive income - current  
2- Financial assets at fair value through other comprehensive income - non-current

WT Microelectronics Co., Ltd. and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
For the nine-month period ended September 30, 2018

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Sales	\$ 19,670,234	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 10,019,284	32	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	14,471,227	10	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	2,282,362	7	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	8,198,193	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	Affiliates	Sales	5,406,110	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	Sales	4,666,213	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,313,165	4	
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	Sales	1,545,520	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	459,758	1	
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	Sales	1,107,811	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	423,669	1	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Sales	1,087,616	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	Affiliates	Sales	503,648	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	60,501	-	
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Affiliates	Purchases	3,859,037	3	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 129,708)	-	
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	Purchases	3,209,031	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	-	-	
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Affiliates	Purchases	1,681,891	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	( 723,274)	2	
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	1,238,612	16	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	135,810	7	
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	930,095	12	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	288,678	16	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term		Balance
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	Sales	\$ 630,288	8	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	\$ 327,156	18
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	Sales	2,265,066	6	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,158,128	13
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	Sales	611,472	2	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	140,112	2
MORRIHAN INTERNATIONAL CORP.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	249,744	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	128,660	1
MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	160,472	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	33,068	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	128,991	-	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	1,514	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	Affiliates	Sales	505,903	4	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	366,746	14
TECHMOSA INTERNATIONAL INC.	WINTech MICROELECTRONICS LTD.	Affiliates	Sales	131,129	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	68,673	3
TECHMOSA INTERNATIONAL INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	Sales	101,531	1	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	36,396	1
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	Affiliates	Sales	1,031,705	14	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	38,998	1
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	Sales	609,011	22	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	268,181	25
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	Sales	4,097,141	69	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	749,865	81
WINTech MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	Sales	1,824,496	31	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	178,523	19
WT TECHNOLOGY (H.K.) LIMITED	WT TECHNOLOGY KOREA CO., LTD	Affiliates	Sales	296,078	89	Closes its accounts 90 days after the end of each month	Based on product, market price of inventory cost and other trading conditions	No material difference	32,214	71

WT Microelectronics Co., Ltd. and subsidiaries  
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more  
 For the nine-month period ended September 30, 2018

Table 5

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Affiliates	\$ 10,019,284	5.24	\$ 35,543	Subsequent collection	\$ 9,245,093	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	2,282,362	8.12	-		1,574,039	-
WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Affiliates	1,313,165	5.68	-		794,065	-
WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	Affiliates	459,758	6.92	328,987	Subsequent collection	231,768	-
WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	Affiliates	423,669	3.37	-		117,761	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	723,274	3.06	-		493,983	-
NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	Affiliates	327,156	2.98	-		5,714	-
NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	288,678	6.11	-		3,060	-
NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	Affiliates	135,810	8.36	-		-	-
MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	Affiliates	1,158,128	4.94	-		454,406	-
MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	Affiliates	140,112	11.64	-		132,764	-
MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS CO., LTD.	Affiliates	128,660	4.65	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONG KONG) LIMITED	Affiliates	366,746	3.11	-		-	-
TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS CO., LTD.	Affiliates	129,708	12.43	-		67,925	-
HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Affiliates	268,181	3.88	-		83,442	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	Affiliates	\$ 749,865	8.74	-		\$ 465,109	-
WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	Affiliates	178,523	27.25	-		178,523	-

Note: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries  
Significant inter-company transactions during the reporting period  
For the nine-month period ended September 30, 2018

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Sales	\$ 19,670,234	(Note 3)	10
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Accounts receivable	10,019,284	(Note 3)	10
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Sales	14,471,227	(Note 3)	8
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS (HONK KONG) LIMITED	1	Accounts receivable	2,282,362	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY PTE. LTD.	1	Sales	8,198,193	(Note 3)	4
0	WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS LTD.	1	Sales	5,406,110	(Note 3)	3
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Sales	4,666,213	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	1	Accounts receivable	1,313,165	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Sales	1,545,520	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT TECHNOLOGY KOREA CO., LTD	1	Accounts receivable	459,758	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Sales	1,107,811	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WT SOLOMON QCE LIMITED	1	Accounts receivable	423,669	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Sales	1,087,616	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	1	Sales	503,648	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Purchases	3,859,037	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	1	Accounts payable	129,708	(Note 3)	-
0	WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	1	Purchases	3,209,031	(Note 3)	2
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Purchases	1,681,891	(Note 3)	1
0	WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	1	Accounts payable	723,274	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	1,238,612	(Note 3)	1
1	NUVISION TECHNOLOGY INC.	WT TECHNOLOGY PTE. LTD.	3	Accounts receivable	135,810	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	930,095	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Accounts receivable	288,678	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Sales	630,288	(Note 3)	-
1	NUVISION TECHNOLOGY INC.	WT SOLOMON QCE LIMITED	3	Accounts receivable	327,156	(Note 3)	-
1	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Sales	2,265,066	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	WT SOLOMON QCE LIMITED	3	Accounts receivable	1,158,128	(Note 3)	1
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Sales	611,472	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	MORRIHAN SINGAPORE PTE. LTD.	3	Accounts receivable	140,112	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Sales	249,744	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WINTECH MICROELECTRONICS LTD.	3	Accounts receivable	128,660	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT TECHNOLOGY PTE. LTD.	3	Sales	160,472	(Note 3)	-
2	MORRIHAN INTERNATIONAL CORP.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	128,991	(Note 3)	-
2	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Sales	505,903	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT MICROELECTRONICS (HONK KONG) LIMITED	3	Accounts receivable	366,746	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WINTECH MICROELECTRONICS LTD.	3	Sales	131,129	(Note 3)	-
3	TECHMOSA INTERNATIONAL INC.	WT TECHNOLOGY PTE. LTD.	3	Sales	101,531	(Note 3)	-
3	MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	3	Sales	1,031,705	(Note 3)	1



Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction (Note 4)			Percentage of total operating revenues or total assets (Note 5)
				General ledger account	Amount	Transaction terms	
4	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Sales	\$ 609,011	(Note 3)	-
5	HONGTECH ELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	3	Accounts receivable	268,181	(Note 3)	-
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Sales	4,097,141	(Note 3)	2
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHANGHAI) CO., LTD.	3	Accounts receivable	749,865	(Note 3)	1
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Sales	1,824,496	(Note 3)	1
6	WINTECH MICROELECTRONICS LTD.	WT MICROELECTRONICS (SHENZHEN) CO., LTD.	3	Accounts receivable	178,523	(Note 3)	-
7	WT TECHNOLOGY (H.K.) LIMITED	WT TECHNOLOGY KOREA CO., LTD	3	Sales	296,078	(Note 3)	-

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The prices and terms to related parties were similar to third parties. The credit term is 90 days after the end of each month.

Note 4: For sales, purchases and account receivables, transactions reaching NT\$100 million or 20% of paid-in capital or more should be disclosed.

Note 5: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 6: Information of loans between the Company and subsidiaries, please refer to table 1.

WT Microelectronics Co., Ltd. and subsidiaries  
Names, locations and other information of investee companies (not including investees in Mainland China)  
For the nine-month period ended September 30, 2018

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Footnote
				Balance at September 30, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value			
WT MICROELECTRONICS CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 3,644,147	\$ 3,644,147	115,323,691	99.65	\$ 8,718,881	\$ 242,067	\$ 242,067	Subsidiary
WT MICROELECTRONICS CO., LTD.	TECHMOSA INTERNATIONAL INC.	Taiwan	Sale of electronic components	1,781,829	1,781,829	73,949,070	100.00	2,019,521	283,052	283,052	Subsidiary
WT MICROELECTRONICS CO., LTD.	MORRIHAN INTERNATIONAL CORP.	Taiwan	Sale of electronic components	3,106,620	3,106,620	283,760,000	100.00	3,655,265	418,116	418,116	Subsidiary
WT MICROELECTRONICS CO., LTD.	BSI SEMICONDUCTOR PTE. LTD.	Singapore	Sale of electronic components	486,289	486,289	7,544,002	100.00	745,220	18,878	18,878	Subsidiary
WT MICROELECTRONICS CO., LTD.	NUVISION TECHNOLOGY INC.	Taiwan	Sale of electronic components	323,030	323,030	28,216,904	99.91	721,111	248,432	248,208	Subsidiary
WT MICROELECTRONICS CO., LTD.	ABOVEE TECHNOLOGY INC.	Taiwan	Information software and service	41,856	41,856	500,000	100.00	9,433	39	39	Subsidiary
WT MICROELECTRONICS CO., LTD.	MILESTONE INVESTMENT CO., LTD.	Taiwan	General investment	61,985	61,985	4,500,000	100.00	75,185	7,550	7,550	Subsidiary
WT MICROELECTRONICS CO., LTD.	SINYIE INVESTMENT CO., LTD.	Taiwan	General investment	52,000	52,000	2,900,000	100.00	44,818	49	49	Subsidiary
WT MICROELECTRONICS CO., LTD.	MSD HOLDINGS PTE. LTD.	Singapore	Sale of electronic components	215,559	215,559	200,001	100.00	222,054	3,036	3,036	Subsidiary
WT MICROELECTRONICS CO., LTD.	MAXTEK TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	1,895,949	1,895,949	70,220,331	100.00	2,200,818	249,959	249,959	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	PROMISING INVESTMENT LIMITED	Mauritius	General investment	1,902,700	1,902,700	62,332,506	100.00	3,132,775	189,516	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH INVESTMENT CO., LTD.	Belis	General investment	641,665	641,665	21,020,957	100.00	992,951	96,123	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LTD.	Belis	Sale of electronic components	91,578	91,578	3,000,100	100.00	86,509	(6,496)	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	WINTECH MICROELECTRONICS LIMITED	British Virgin Islands	Holding company	153	153	5,000	100.00	6	-	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Footnote
				Balance at September 30, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value			
WINTECH MICROELECTRONICS HOLDING LIMITED	WT TECHNOLOGY PTE. LTD.	Singapore	Sale of electronic components	\$ 152,625	\$ 152,625	5,000,000	100.00	\$ 2,170,770	\$ 568	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JCD OPTICAL (CAYMAN) CO., LTD.	Cayman Islands	Holding company	72,463	72,463	5,869,093	23.07	88,823	( 34,388)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	SUPREME MEGA LTD.	Seychelles	Holding company	558,974	558,974	14,917,000	47.98	96,924	( 108,639)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	ANIUS ENTERPRISE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	MEGA SOURCE CO., LTD.	Seychelles	Sale of electronic components	-	-	1	100.00	-	-	Note 1	Subsidiary
WINTECH MICROELECTRONICS HOLDING LIMITED	JOY CAPITAL LTD.	Seychelles	General investment	36,630	36,630	1,200,000	17.65	30,833	( 3,813)	Note 1	Associates
WINTECH MICROELECTRONICS HOLDING LIMITED	RAINBOW STAR GROUP LIMITED	British Virgin Islands	General investment	30,525	30,525	18,924	24.65	31,374	( 1,885)	Note 1	Associates
PROMISING INVESTMENT LIMITED	WT MICROELECTRONICS (HONK KONG) LIMITED	Hong Kong	Sale of electronic components	382,406	382,406	12,527,632	100.00	1,729,402	170,362	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	NINO CAPITAL CO., LTD.	Samoa	Holding company	9,493	9,493	311,000	100.00	38,362	1,850	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	RICH WEB LTD.	British Virgin Islands	Holding company	701,294	701,294	22,974,430	100.00	705,064	( 19,838)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT TECHNOLOGY (H.K.) LIMITED	Hong Kong	Sale of electronic components	3,901	3,901	1,000,000	100.00	104,648	( 841)	Note 1	Subsidiary
PROMISING INVESTMENT LIMITED	WT SOLOMON QCE LIMITED	Hong Kong	Sale of electronic components	805,735	805,735	110,000,000	100.00	555,270	37,983	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	33,495	33,495	1,500,000	100.00	219,826	61,792	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT MICROELECTRONICS (MALAYSIA) SDN. BHD.	Malaysia	Sale of electronic components	3,683	3,683	500,000	100.00	3,691	( 173)	Note 1	Subsidiary
WINTECH INVESTMENT CO., LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	555,766	555,766	3,800,000	95.47	768,575	41,203	Note 1	Subsidiary
WT MICROELECTRONICS SINGAPORE PTE. LTD.	WT MICROELECTRONICS (THAILAND) LIMITED.	Thailand	Sale of electronic components	2,833	2,833	300,000	100.00	3,953	( 38)	Note 1	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Footnote
				Balance at September 30, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Book value			
SINYIE INVESTMENT CO., LTD.	WINTECH MICROELECTRONICS HOLDING LIMITED	British Virgin Islands	Holding company	\$ 69,042	\$ 69,042	407,469	0.35	\$ 46,882	\$ 242,067	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	HOTECH ELECTRONICS CORP.	Taiwan	Sale of electronic components	14,770	14,770	500,000	100.00	31,980	715	Note 1	Subsidiary
MORRIHAN INTERNATIONAL CORP.	ASIA LATEST TECHNOLOGY LIMITED	Mauritius	Holding company	37,771	37,771	1,120,000	100.00	45,863	635	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WT TECHNOLOGY KOREA CO., LTD.	South Korea	Sale of electronic components	52,946	52,946	180,472	4.53	28,464	41,203	Note 1	Subsidiary
BSI SEMICONDUCTOR PTE. LTD.	WONCHANG SEMICONDUCTOR CO., LTD.	South Korea	Sale of electronic components	23,940	23,940	53,505	100.00	187,338	15,089	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	MORRIHAN SINGAPORE PTE. LTD.	Singapore	Sale of electronic components	155,820	155,820	7,000,000	100.00	159,415	12,086	Note 1	Subsidiary
TECHMOSA INTERNATIONAL INC.	TECHMOSA INTERNATIONAL HOLDING LTD.	Anguilla	Holding company	-	-	1	100.00	17,405	245	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	HONGTECH ELECTRONICS CO., LTD.	Taiwan	Sale of electronic components	115,000	115,000	11,500,000	100.00	654,271	107,414	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	LACEWOOD INTERNATIONAL CORP.	British Virgin Islands	Sale of electronic components	194,366	194,366	29,500	100.00	568,240	4,313	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	British Virgin Islands	Holding company	69,840	69,840	21,000	100.00	66,609 (	1,585)	Note 1	Subsidiary
MAXTEK TECHNOLOGY CO., LTD.	QWAVE TECHNOLOGY CO., LTD.	Taiwan	Sale of electronic components	40,000	40,000	4,000,000	40.00	41,606	5,637	Note 1	Associates
BEST WINNER INTERNATIONAL DEVELOPMENT LTD.	MAXTEK INTERNATIONAL (HK) LIMITED	Hong Kong	Sale of electronic components	23,406	23,406	6,000,000	100.00	18,444 (	1,600)	Note 1	Subsidiary

Note 1: Profit (loss) of investee has been included in the investor, and will not be disclosed separately.

WT Microelectronics Co., Ltd. and subsidiaries  
Information on investments in Mainland China  
For the nine-month period ended September 30, 2018

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee for the nine- month period ended September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018 (Note 2)	Book value of investment in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI WT MICROELECTRONICS CO., LTD.	International trade, entrepot trade and etc.	\$ 9,158	2	\$ 9,158	\$ -	\$ -	\$ 9,158	\$ 1,851	100.00	\$ 1,851	\$ 38,270	\$ -	Note 5
WT MICROELECTRONICS (SHENZHEN) CO., LTD.	International trade, entrepot trade and etc.	694,378	2	641,708	-	-	641,708	( 19,838)	100.00	( 19,838)	704,957	-	Note 6
WT MICROELECTRONICS (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	1,072,954	2	584,554	-	-	584,554	13,445	100.00	13,445	1,079,973	-	Note 7
MORRIHAN INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	International trade, entrepot trade and etc.	40,598	3	30,525	-	-	30,525	635	100.00	635	45,863	-	Note 4
JCD OPTICAL CORPORATION	Production and sale of optoelectronic material and components	125,153	2	20,269	-	-	20,269	( 38,582)	23.07	( 8,901)	61,683	-	Note 8
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>		<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA</u>									
WT MICROELECTRONICS CO., LTD.	\$ 1,286,214	\$ 2,012,826		\$ 12,648,944									

Note 1: The investment methods are classified into the following three categories:

- (1) Directly investing in Mainland China.
- (2) Through investing in companies in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment gains or losses were recognised based on reviewed financial statements.

Note 3: The amount disclosed was 60% of net assets and based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

Note 4: This is a China subsidiary which was reinvested through the company in the third area when Morrihan International Corp. was acquired in September 2009.

Note 5: This is a China company which was invested through the company, NINO CAPITAL CO., LTD., in the third area.

Note 6: This is a China company which was invested through the company, RICH WEB LTD., in the third area.

Note 7: This is a China company which was reinvested through the company, WINTECH MICROELECTRONICS HOLDING LIMITED, in the third area.

Note 8: This is a China company which was reinvested through the company, JCD OPTICAL (CAYMAN) CO., LTD., in the third area.