

Greatek Electronics Inc.

**Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Greatek Electronics Inc.

Introduction

We have reviewed the accompanying balance sheets of Greatek Electronics Inc. (the "Corporation") as of March 31, 2019 and 2018 and the related statements of comprehensive income, changes in equity and cash flows for the three-months periods then ended, and related notes, including a summary of significant accounting policies (collectively referred to as the financial statements). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of 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.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not give a true and fair view of the financial position of the Corporation as of March 31, 2019 and 2018, and of its financial performance and its cash flows for the three-months periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting", which were endorsed and issued into effect by the Financial Supervisory Commission.

The engagement partners on the reviews resulting in this independent auditors' review report are Yu-Feng Huang and Cheng-Chih Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 30, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. The English version have not reviewed by Deloitte & Touche. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and financial statements shall prevail.

GREATEK ELECTRONICS INC.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 3,657,705	19	\$ 3,043,943	16	\$ 3,735,931	19	Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 946	-	\$ 232	-	\$ 137	-
Financial assets at fair value through profit or loss - current (Note 7)	50,480	-	51,001	-	51,859	-	Contract liabilities - current (Note 19)	65,511	-	39,323	-	45,122	-
Financial assets at amortized cost - current (Note 9)	100,000	1	200,015	1	300,454	2	Notes payable	2,672	-	1,949	-	1,912	-
Contract assets - current (Notes 19 and 25)	455,148	3	471,025	3	459,599	2	Accounts payable	528,644	3	618,350	3	677,816	4
Notes receivable (Notes 10 and 19)	60,076	-	78,037	-	73,358	-	Payables to equipment suppliers	145,339	1	112,084	1	333,377	2
Accounts receivable (Notes 10 and 19)	2,211,172	12	2,536,481	13	2,470,030	13	Accrued compensation to employees and remuneration to directors and supervisors (Note 20)	434,203	2	376,524	2	507,604	3
Receivables from related parties (Notes 19 and 25)	416,380	2	284,829	2	324,672	2	Current income tax liabilities	428,228	2	353,296	2	414,277	2
Inventories (Note 11)	473,551	3	572,192	3	498,614	3	Lease liabilities - current (Notes 3, 4, 5 and 13)	1,193	-	-	-	-	-
Prepaid expenses and other current assets (Notes 15 and 25)	74,833	-	113,557	1	119,502	1	Accrued expenses and other current liabilities (Notes 16 and 25)	523,392	3	867,962	5	647,242	3
Total current assets	<u>7,499,345</u>	<u>40</u>	<u>7,351,080</u>	<u>39</u>	<u>8,034,019</u>	<u>42</u>	Total current liabilities	<u>2,130,128</u>	<u>11</u>	<u>2,369,720</u>	<u>13</u>	<u>2,627,487</u>	<u>14</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	160,160	1	145,420	1	165,060	1	Deferred income tax liabilities	111	-	154	-	344	-
Financial assets at amortized cost - noncurrent (Note 9)	951,243	5	951,521	5	852,368	5	Lease liabilities - noncurrent (Notes 3, 4, 5 and 13)	10,448	-	-	-	-	-
Property, plant and equipment (Note 12)	10,126,739	54	10,160,233	54	9,836,166	52	Guarantee deposits	16	-	90	-	90	-
Right-of-use assets (Notes 3, 4, 5 and 13)	11,618	-	-	-	-	-	Net defined benefit liability - noncurrent (Notes 4 and 17)	234,347	2	235,532	1	217,467	1
Intangible assets (Note 14)	80,837	-	85,742	1	73,587	-	Total non-current liabilities	<u>244,922</u>	<u>2</u>	<u>235,776</u>	<u>1</u>	<u>217,901</u>	<u>1</u>
Deferred income tax assets	36,754	-	48,503	-	51,473	-	Total liabilities	<u>2,375,050</u>	<u>13</u>	<u>2,605,496</u>	<u>14</u>	<u>2,845,388</u>	<u>15</u>
Other noncurrent assets (Notes 15 and 26)	81,825	-	82,061	-	82,061	-	EQUITY (Notes 18 and 23)						
Total non-current assets	<u>11,449,176</u>	<u>60</u>	<u>11,473,480</u>	<u>61</u>	<u>11,060,715</u>	<u>58</u>	Capital stock						
							Common stock	5,688,459	30	5,688,459	30	5,688,459	30
							Capital surplus	1,8659	-	1,865	-	1,769	-
							Retained earnings						
							Legal reserve	2,834,665	15	2,834,665	15	2,583,802	13
							Special reserve	319	-	319	-	-	-
							Unappropriated earnings	8,079,852	42	7,740,185	41	7,968,975	42
							Other equity	(31,689)	-	(46,429)	-	6,341	-
							Total equity	<u>16,573,471</u>	<u>87</u>	<u>16,219,064</u>	<u>86</u>	<u>16,249,346</u>	<u>85</u>
TOTAL	<u>\$ 18,948,521</u>	<u>100</u>	<u>\$ 18,824,560</u>	<u>100</u>	<u>\$ 19,094,734</u>	<u>100</u>	TOTAL	<u>\$ 18,948,521</u>	<u>100</u>	<u>\$ 18,824,560</u>	<u>100</u>	<u>\$ 19,094,734</u>	<u>100</u>

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

GREATEK ELECTRONICS INC.

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET SALES (Notes 19 and 25)	\$ 2,543,402	100	\$ 3,052,688	100
OPERATING COSTS (Notes 11, 17, 20 and 25)	<u>2,034,484</u>	<u>80</u>	<u>2,182,996</u>	<u>71</u>
GROSS PROFIT	<u>508,918</u>	<u>20</u>	<u>869,692</u>	<u>29</u>
OPERATING EXPENSES (Notes 17, 20 and 25)				
Selling and marketing expenses	10,455	-	11,451	-
General and administrative	43,429	2	51,242	2
Research and development	<u>45,931</u>	<u>2</u>	<u>49,197</u>	<u>2</u>
Total operating expenses	<u>99,815</u>	<u>4</u>	<u>111,890</u>	<u>4</u>
OPERATING INCOME	<u>409,103</u>	<u>16</u>	<u>757,802</u>	<u>25</u>
NONOPERATING INCOME AND EXPENSES (Note 20)				
Other income	13,49	1	10,662	1
Other gains and losses	<u>4,023</u>	<u>-</u>	<u>(28,345)</u>	<u>(1)</u>
Total nonoperating income and expenses	<u>17,472</u>	<u>1</u>	<u>(17,683)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	426,575	17	740,119	25
INCOME TAX EXPENSE (Notes 4 and 21)	<u>86,908</u>	<u>4</u>	<u>115,038</u>	<u>4</u>
NET INCOME	339,667	13	625,081	21
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income (Note 18)	<u>14,740</u>	<u>1</u>	<u>6,660</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>14,740</u>	<u>1</u>	<u>6,660</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 354,407</u>	<u>14</u>	<u>\$ 631,741</u>	<u>21</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 0.60</u>		<u>\$ 1.10</u>	
Diluted	<u>\$ 0.59</u>		<u>\$ 1.09</u>	

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

GREATEK ELECTRONICS INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	<u>Share Capital Issued and Outstanding</u>		<u>Capital Surplus</u>	<u>Retained Earnings</u>			<u>Other Equity Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income</u>	<u>Total Equity</u>
	<u>Share (Thousands)</u>	<u>Amount</u>		<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>		
BALANCE, JANUARY 1, 2018	568,846	\$ 5,688,459	\$ 1,769	\$ 2,583,802	\$ -	\$ 7,343,894	\$ (319)	\$ 15,617,605
Net income for the three months ended March 31, 2018	-	-	-	-	-	625,081	-	625,081
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	6,660	6,660
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	625,081	6,660	631,741
BALANCE, MARCH 31, 2018	<u>568,846</u>	<u>\$ 5,688,459</u>	<u>\$ 1,769</u>	<u>\$ 2,583,802</u>	<u>\$ -</u>	<u>\$ 7,968,975</u>	<u>\$ 6,341</u>	<u>\$ 16,249,346</u>
BALANCE, JANUARY 1, 2019	568,846	\$ 5,688,459	\$ 1,865	\$ 2,834,665	\$ 319	\$ 7,740,185	\$ (46,429)	\$ 16,219,064
Net income for the three months ended March 31, 2019	-	-	-	-	-	339,667	-	339,667
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	14,740	14,740
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	339,667	14,740	354,407
BALANCE, MARCH 31, 2019	<u>568,846</u>	<u>\$ 5,688,459</u>	<u>\$ 1,865</u>	<u>\$ 2,834,665</u>	<u>\$ 319</u>	<u>\$ 8,079,852</u>	<u>\$ (31,689)</u>	<u>\$ 16,573,471</u>

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

GREATEK ELECTRONICS INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Current income before income tax	\$ 426,575	\$ 740,119
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	590,022	526,381
Amortization	6,173	4,941
Expected credit loss recognized on trade receivables	1,401	-
Net loss on fair value change of financial instruments designated as at fair value through profit or loss	1,235	352
Finance costs	51	-
Premium amortization of financial assets at amortized cost	293	483
Interest revenue	(9,054)	(7,652)
Net gain on disposal of property, plant and equipment	-	(105)
Classification from property, plant and equipment to expenses	-	76
Recognition (reversal) of inventory valuation and obsolescence losses	326	(9,773)
Net (gain) loss on foreign currency exchange	(5,984)	6,533
Changes in operating assets and liabilities:		
Decrease in contract assets	15,877	52,353
Decrease in notes receivable	17,961	2,662
Decrease in accounts receivable	329,480	12,944
(Increase) decrease in accounts receivable from related parties	(131,551)	39,010
Decrease (increase) in inventories	98,315	(22,961)
Decrease (increase) in prepaid expenses and other current assets	40,442	(18,955)
Increase in contract liabilities	26,188	7,566
Increase (decrease) in notes payable	723	(329)
Decrease in accounts payable	(90,054)	(5,109)
Increase in accrued bonus to employees and remuneration to directors and supervisors	57,679	101,264
Decrease in accrued expenses and other accounts payable	(344,570)	(219,432)
Decrease in net defined benefit liability	(1,185)	(1,140)
Net cash provided by operating activities	1,030,343	1,209,228
Interest received	7,336	5,576
Interest paid	(51)	-
Income tax paid	(270)	(333)
Net cash provided by operating activities	<u>1,037,358</u>	<u>1,214,471</u>

(Continued)

GREATEK ELECTRONICS INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets measured at cost	\$ 100,000	\$ -
Acquisition of property, plant and equipment	(523,008)	(815,137)
Disposal of property, plant and equipment	-	105
Decrease in refundable deposits	236	195
Increase in intangible assets	<u>(1,268)</u>	<u>(900)</u>
Net cash used in investing activities	<u>(424,040)</u>	<u>(815,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits	(74)	-
Repayment of the principal portion of lease liabilities	<u>(295)</u>	<u>-</u>
Net cash used in financing activities	<u>(369)</u>	<u>-</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>813</u>	<u>(6,666)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	613,762	392,068
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,043,943</u>	<u>3,343,863</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,657,705</u>	<u>\$ 3,735,931</u>

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

(Concluded)

GREATEK ELECTRONICS INC.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Greatek Electronics Inc. (the “Corporation” or “Greatek”) was incorporated in the Republic of China (“ROC”) on March 7, 1983. The Corporation mainly provides semiconductor assembly and testing services on a turnkey basis.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TSE) on October 26, 2000.

Powertech Technology Inc. (PTI) acquired Greatek’s 44.09% ownership, pursuant to Greatek’s board approval on December 21, 2011. On the reelection of the directors and supervisors of Greatek, PTI holds a majority of the directors seats and become parent. PTI has 42.91% ownership of Greatek as of March 31, 2019 and 2018.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on April 30, 2019.

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

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

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

- 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

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

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases on the balance

sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Corporation presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Corporation elects to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Corporation applies IAS 36 to all right-of-use assets.

The Corporation also applies the following practical expedients:

- a) The Corporation applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Corporation accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Corporation excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Corporation uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.695%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 13,045
Less: Recognition exemption for short-term leases	-
Less: Recognition exemption for leases of low-value assets	-
	<hr/>
Undiscounted amounts on January 1, 2019	<u>\$ 13,045</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 11,936</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 11,936</u>

The Corporation as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Pre-adjusted Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Amount as of January 1, 2019
Right-of-use assets	\$ <u> -</u>	\$ <u> 11,936</u>	\$ <u> 11,936</u>
Total effect on assets	\$ <u> -</u>	\$ <u> 11,936</u>	\$ <u> 11,936</u>
Lease liabilities - current	\$ <u> -</u>	\$ <u> 1,188</u>	\$ <u> 1,188</u>
Lease liabilities - non-current	<u> -</u>	<u> 10,748</u>	<u> 10,748</u>
Total effect on liabilities	\$ <u> -</u>	\$ <u> 11,936</u>	\$ <u> 11,936</u>

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

Upon initial application of IFRIC 23, there are no impact on assets, liabilities and equity.

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

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

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

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and

interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the financial statements is less than those required in a complete set of annual financial statements.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Other significant accounting policies

Except for the following financial instruments and revenue recognition, the accounting policies applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2018. For the summary of other significant accounting policies, refer to the financial statements for the year ended December 31, 2018.

1) Leases

2019

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

a) The Corporation as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as

expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

2018

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

a) The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b) The Corporation as lessee

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

2) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty followed in these financial statements refer to the financial statements for the year ended December 31, 2018.

a. Lease terms - 2019

In determining a lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Corporation occur.

b. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	\$ 3,657,705	\$ 3,043,943	\$ 3,239,931
Repurchase agreements collateralized by bonds	<u>-</u>	<u>-</u>	<u>496,000</u>
	<u>\$ 3,657,705</u>	<u>\$ 3,043,943</u>	<u>\$ 3,735,931</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Bank deposits	0.13%-2.48%	0.13%-2.48%	0.10%-1.70%
Repurchase agreement collateralized by bonds	-	-	0.36%-0.37%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading - current			
Non-derivative financial assets			
Mutual funds	\$ 50,447	\$ 50,376	\$ 50,216
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>33</u>	<u>625</u>	<u>1,643</u>
	<u>\$ 50,480</u>	<u>\$ 51,001</u>	<u>\$ 51,859</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading - current			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 946</u>	<u>\$ 232</u>	<u>\$ 137</u>

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

	Currency	Maturity Date	Contract Amounts (In Thousands)
<u>March 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.04.11-2019.06.13	USD 9,800/NTD300,199
<u>December 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2019.01.10-2019.03.13	USD11,500/NTD352,391
<u>March 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2018.04.12-2018.06.13	USD13,400/NTD390,575

The Corporation entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments at FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Non-current</u>			
Domestic investments			
Listed shares			
Ordinary shares - Powertech Technology Inc.	<u>\$ 160,160</u>	<u>\$ 145,420</u>	<u>\$ 165,060</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Domestic investments			
Corporate bonds - P04 Hon Hai 4C Bond	\$ 100,000	\$ 100,000	\$ -
Corporate bonds - 01 TSMC 1B Bond	-	100,015	100,426
Corporate bonds - 02 Taiwan Power Company 1A Bond	<u>-</u>	<u>-</u>	<u>200,028</u>
	<u>\$ 100,000</u>	<u>\$ 200,015</u>	<u>\$ 300,454</u>
<u>Noncurrent</u>			
Domestic investments			
Corporate bonds – P06 Taiwan Power Company 1A Bond	\$ 300,001	\$ 300,001	\$ 300,001
Corporate bonds – P07 Taiwan Power Company 1A Bond	200,001	200,001	-
Corporate bonds - 02 Taiwan Power Company 1B Bond	151,241	151,518	152,366
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,000	100,001	100,001
Corporate bonds - P04 FENC 4 Bond	100,000	100,000	100,000
Corporate bonds - P06 FPC 1A Bond	100,000	100,000	100,000
Corporate bonds - P04 Hon Hai 4C Bond	<u>-</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 951,243</u>	<u>\$ 951,521</u>	<u>\$ 852,368</u>

On March 19, 2015, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$200,917 thousand (par value \$200,000 thousand), and a maturity date of May 6, 2018.

On October 20, 2015, the Corporation bought corporate bonds issued by TSMC, which have an effective interest rate of 0.91%; a premium value of \$101,740 thousand (par value \$100,000 thousand); and maturity on January 11, 2019.

On October 23, 2015, the Corporation bought corporate bonds issued by HON HAI PRECISION IND. CO., LTD., which have an effective interest rate of 1.15%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity on September 29, 2019.

On November 16, 2015, the Corporation bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of \$100,001 thousand (par value \$100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value \$154,054 thousand (par value \$150,000 thousand), and a maturity date of May 6, 2020.

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value \$300,002 thousand (par value \$300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value \$100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value \$100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value \$200,001 thousand (par value \$200,000 thousand), and a maturity date of May 14, 2021.

Refer to Note 24 for information relating to their credit risk management and impairment.

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable - operating	<u>\$ 60,076</u>	<u>\$ 78,037</u>	<u>\$ 73,358</u>
Accounts receivable	\$ 2,246,053	\$ 2,569,961	\$ 2,503,510
Less: Allowance for impairment loss	<u>(34,881)</u>	<u>(33,480)</u>	<u>(33,480)</u>
	<u>\$ 2,211,172</u>	<u>\$ 2,536,481</u>	<u>\$ 2,470,030</u>

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

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

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

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

March 31, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 2,000,749	\$ 65,060	\$ 6,172	\$ 94,057	\$ 80,015	\$ 2,246,053
Loss allowance (Lifetime ECL)	<u>(6,068)</u>	<u>(17,242)</u>	<u>(2,800)</u>	<u>(2,621)</u>	<u>(6,150)</u>	<u>(34,881)</u>
Amortized cost	<u>\$ 1,994,681</u>	<u>\$ 47,818</u>	<u>\$ 3,372</u>	<u>\$ 91,436</u>	<u>\$ 73,865</u>	<u>\$ 2,211,172</u>

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 2,322,265	\$ 184,362	\$ 53,792	\$ 3,523	\$ 6,019	\$ 2,569,961
Loss allowance (Lifetime ECL)	<u>(6,133)</u>	<u>(15,943)</u>	<u>(4,093)</u>	<u>(3,428)</u>	<u>(3,883)</u>	<u>(33,480)</u>
Amortized cost	<u>\$ 2,316,132</u>	<u>\$ 168,419</u>	<u>\$ 49,699</u>	<u>\$ 95</u>	<u>\$ 2,136</u>	<u>\$ 2,536,481</u>

March 31, 2018

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount	\$ 2,463,878	\$ 27,127	\$ 6,845	\$ 5,632	\$ 28	\$ 2,503,510
Loss allowance (Lifetime ECL)	<u>(6,918)</u>	<u>(14,057)</u>	<u>(6,845)</u>	<u>(5,632)</u>	<u>(28)</u>	<u>(33,480)</u>
Amortized cost	<u>\$ 2,456,960</u>	<u>\$ 13,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,470,030</u>

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

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 33,480	\$ 33,480
Add: Net measurement of loss allowance (a)	<u>1,401</u>	<u>-</u>
Balance at March 31	<u>\$ 34,881</u>	<u>\$ 33,480</u>

Included in the allowance for impairment loss were individually impaired account receivables amounting to \$0 as of December 31, 2018 and March 31, 2018, respectively.

11. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials	\$ 420,084	\$ 503,712	\$ 439,212
Supplies	<u>53,467</u>	<u>68,480</u>	<u>59,402</u>
	<u>\$ 473,551</u>	<u>\$ 572,192</u>	<u>\$ 498,614</u>

The costs of inventories recognized as cost of goods sold were as follows:

	For the Three Months Ended March 31	
	2019	2018
Recognition (reversal) of inventory valuation and obsolescence losses	\$ 326	\$ (9,773)
Unallocated overheads	<u>97,221</u>	<u>102,511</u>
Sales of scrapes	<u>(9,841)</u>	<u>(13,328)</u>
Operating Costs	<u>\$ 2,034,484</u>	<u>\$ 2,182,996</u>

12. PROPERTY, PLANT AND EQUIPMENT

For the Three Months Ended March 31, 2018										
Cost	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period	\$ 1,192,232	\$ 3,336,497	\$ 12,975,317	\$ 11,822,410	\$ 59,334	\$ 367,399	\$ 570,760	\$ 203,528	\$ 106,326	\$ 18,823,215
Additions	-	9,374	71,704	410	1,500	8,743	708,766	127,061	90,545	1,018,103
Disposals	-	-	-	(1,140)	-	-	-	-	(78,563)	(79,703)
Reclassified	-	6,390	301,270	1,778	552	10,495	(317,031)	(6,390)	-	(2,936)
Balance, end of period	<u>1,192,232</u>	<u>3,352,261</u>	<u>13,348,291</u>	<u>12,870</u>	<u>61,386</u>	<u>386,637</u>	<u>962,495</u>	<u>324,199</u>	<u>118,308</u>	<u>19,758,679</u>
Accumulated depreciation										
Balance, beginning of period	-	1,238,917	7,999,846	8,691	26,044	202,337	-	-	-	9,475,835
Depreciation expense	-	56,514	376,403	251	2,381	12,269	-	-	78,563	526,381
Disposals	-	-	-	(1,140)	-	-	-	-	(78,563)	(79,703)
Balance, end of period	<u>-</u>	<u>1,295,431</u>	<u>8,376,249</u>	<u>7,802</u>	<u>28,425</u>	<u>214,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,922,513</u>
Net book value, beginning of period	<u>\$ 1,192,232</u>	<u>\$ 2,097,580</u>	<u>\$ 4,975,471</u>	<u>\$ 3,131</u>	<u>\$ 33,290</u>	<u>\$ 165,062</u>	<u>\$ 570,760</u>	<u>\$ 203,528</u>	<u>\$ 106,326</u>	<u>\$ 9,347,380</u>
Net book value, end of period	<u>\$ 1,192,232</u>	<u>\$ 2,056,830</u>	<u>\$ 4,972,042</u>	<u>\$ 5,068</u>	<u>\$ 32,961</u>	<u>\$ 172,031</u>	<u>\$ 962,495</u>	<u>\$ 324,199</u>	<u>\$ 118,308</u>	<u>\$ 9,836,166</u>
For the Three Months Ended March 31, 2019										
Cost	Land	Building	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period	\$ 1,195,435	\$ 3,748,774	\$ 15,303,709	\$ 14,534	\$ 69,524	\$ 440,842	\$ 639,810	\$ 12,195	\$ 131,281	\$ 21,556,104
Additions	-	21,968	64,081	-	1,058	1,178	384,219	4,680	79,026	556,210
Disposals	-	-	-	-	-	-	-	-	(79,026)	(76,786)
Reclassified	-	12,195	299,913	1,990	-	-	(301,903)	(12,195)	-	-
Balance, end of period	<u>1,195,435</u>	<u>3,782,937</u>	<u>15,667,703</u>	<u>16,524</u>	<u>70,582</u>	<u>442,020</u>	<u>722,126</u>	<u>4,680</u>	<u>133,521</u>	<u>22,035,528</u>
Accumulated depreciation										
Balance, beginning of period	-	1,486,687	9,610,713	6,971	36,236	255,264	-	-	-	11,385,871
Depreciation expense	-	64,598	431,360	483	2,719	13,758	-	-	76,786	589,704
Disposals	-	-	-	-	-	-	-	-	(76,786)	(76,786)
Balance, end of period	<u>-</u>	<u>1,551,285</u>	<u>10,042,073</u>	<u>7,454</u>	<u>38,955</u>	<u>269,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,908,789</u>
Net book value, beginning of period	<u>\$ 1,195,435</u>	<u>\$ 2,262,087</u>	<u>\$ 5,692,996</u>	<u>\$ 7,563</u>	<u>\$ 33,288</u>	<u>\$ 185,578</u>	<u>\$ 639,810</u>	<u>\$ 12,195</u>	<u>\$ 131,281</u>	<u>\$ 10,160,233</u>
Net book value, end of period	<u>\$ 1,195,435</u>	<u>\$ 2,231,652</u>	<u>\$ 5,625,630</u>	<u>\$ 9,070</u>	<u>\$ 31,627</u>	<u>\$ 172,998</u>	<u>\$ 722,126</u>	<u>\$ 4,680</u>	<u>\$ 133,521</u>	<u>\$ 10,126,739</u>

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Buildings	
Main plants	26 years
Mechanical and electrical power equipment	6-11 years
Others	6-51 years
Machinery and equipment	2-10 years
Transportation equipment	6 years
Office equipment	3-7 years
Other equipment	2-16 years
Spare parts	0.5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
<u>Carrying amounts</u>	
Machinery and Equipment	<u>\$ 11,618</u>

**For the Three
Months Ended
March 31, 2019**

<u>Depreciation charge for right-of-use assets</u>	
Machinery and Equipment	<u>\$ 318</u>

b. Lease liabilities - 2019

	March 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 1,193</u>
Non-current	<u>\$ 10,448</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2019
Machinery and equipment	1.695%

c. Material lease-in activities and terms

The Corporation leases certain machinery equipment for the use of assembly and testing service with lease terms of 14 years. The Corporation has no options to purchase the equipment for a nominal amount at the end of the lease terms.

14 INTANGIBLE ASSETS

	For the Three Months Ended March 31, 2018
	Computer Software
<u>Cost</u>	
Balance, beginning of period	\$ 99,148
Additions	900
	2,860
Reclassified	<u>(2,550)</u>
Balance, end of period	<u>100,358</u>
<u>Accumulated amortization</u>	
Balance, beginning of period	24,380
	4,941
Additions	<u>(2,550)</u>
Balance, end of period	<u>26,771</u>
Net book value, beginning of period	<u>\$ 74,768</u>
Net book value, end of period	<u>\$ 73,587</u>

	For the Three Months Ended March 31, 2019
	Computer Software
<u>Cost</u>	
Balance, beginning of period	\$ 128,947
Additions	1,268
Disposals	<u>(6,078)</u>
Balance, end of period	<u>124,137</u>
<u>Accumulated amortization</u>	
Balance, beginning of period	43,205
Additions	6,173
Disposals	<u>(6,078)</u>
Balance, end of period	<u>43,300</u>
Net book value, beginning of period	<u>\$ 85,742</u>
Net book value, end of period	<u>\$ 80,837</u>

Computer software was amortized on a straight-line basis at 5 years.

15 OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Inventory of supplies	\$ 20,249	\$ 20,427	\$ 19,976
Other receivables	17,402	22,888	15,293
Tax refund receivables	16,197	30,495	12,956
Interest receivable	9,864	8,146	10,961
Payment on behalf of others	4,364	2,497	3,568
Tax overpaid	-	21,485	51,099
Others (a)	<u>6,757</u>	<u>7,619</u>	<u>5,649</u>
	<u>\$ 74,833</u>	<u>\$ 113,557</u>	<u>\$ 119,502</u>
<u>Non-current</u>			
Pledged deposits (b)	\$ 75,000	\$ 75,000	\$ 75,000
Refundable deposits	<u>6,825</u>	<u>7,061</u>	<u>7,061</u>
	<u>\$ 81,825</u>	<u>\$ 82,061</u>	<u>\$ 82,061</u>

a. Other current assets include advance payments, prepaid insurances, prepaid rents ,and temporary debits.

b. Pledge deposits are guarantee deposits for domestic sales and gas volume in CPC Corporation.

16. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Current</u>			
Accrued expenses			
Bonus	\$ 195,801	\$ 453,622	\$ 258,787
Indemnification payable	58,692	99,321	74,872
Labor and health insurance	37,360	47,295	34,750
Utilities	28,419	27,543	26,861
Others (a)	<u>159,538</u>	<u>210,094</u>	<u>215,192</u>
	<u>479,810</u>	<u>837,875</u>	<u>610,462</u>
Other current liabilities			
Behalf of the collection	35,790	24,110	33,342
Temporary receipts	<u>7,792</u>	<u>5,977</u>	<u>3,438</u>
	<u>43,582</u>	<u>30,087</u>	<u>36,780</u>
	<u>\$ 523,392</u>	<u>\$ 867,962</u>	<u>\$ 647,242</u>

a. Other accrued expenses include accrued benefit retirement, spare parts, services, and employment security fees.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. Employee benefit expenses in respect of the Corporation’s defined contribution retirement plans were \$24,512 thousand and \$23,487 thousand for the three months ended March 31, 2019 and 2018, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

Employee benefit expenses in respect of the Corporation’s defined benefit retirement plans were \$855 thousand and \$957 thousand for the three months ended March 31, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2016.

18. EQUITY

a. Ordinary shares

	March 31, 2019	December 31, 2018	March 31, 2018
Numbers of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>568,846</u>	<u>568,846</u>	<u>568,846</u>
Shares issued	<u>\$ 5,688,459</u>	<u>\$ 5,688,459</u>	<u>\$ 5,688,459</u>

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

There are 20,000 thousand shares reserved for employee stock options.

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
May be used to offset a deficit, distributed as cash dividends or transferred to share capital			
Share premium	\$ 1,647	\$ 1,647	\$ 1,647
<u>May be used to offset a deficit only</u>			
Donations from shareholders	<u>218</u>	<u>218</u>	<u>122</u>
	<u>\$ 1,865</u>	<u>\$ 1,865</u>	<u>\$ 1,769</u>

The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in the following order:

- 1) Deducted for accumulated deficits. (include current year's adjusted undistributed earnings)
- 2) Appropriate the 10% as the legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply.
- 3) Appropriate or reverse the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge.
- 4) The board of directors will draft a resolution declaring a dividend equaling the sum of previous years' surpluses and current year's adjusted undistributed earnings, less previous expense balances. The shareholders will ultimately decide whether the amount should be distributed as dividends or retained within the Corporation.

For information on the accrued employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to the employee benefit expense shown in Note 20 (e).

Dividends are distributed in the form of cash, common shares or a combination of cash and common shares. In consideration of the Corporation's being in a capital-intensive industry as well as the long-term development, overall environment, industrial growth characteristics, capital demand, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total of cash dividends paid in any given year should be at least 30% of total dividends distributed.

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

The Corporation appropriates or reverses a special reserve in accordance with Rule No.1010012865 issued by the FSC.

The appropriations of earnings for 2018 and 2017 had been proposed by the board of directors on February 25, 2019 and approved in the shareholders' meetings on May 29, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Appropriation of Earnings	Dividends Per Share (\$)	
	For Year 2018	For Year 2017	For Year 2018	For Year 2017
Legal reserve	\$ 237,545	\$ 250,863	\$ -	\$ -
Special reserve	46,110	319	-	-
Cash dividends	<u>1,535,884</u>	<u>1,706,538</u>	2.75	3.00
	<u>\$ 1,819,539</u>	<u>\$ 1,957,720</u>		

The appropriations from the 2018 of earnings will be presented to the shareholders for their approval in their meeting on May 24, 2019.

d. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ (46,429)	\$ (319)
Add: Net measurement of loss allowance (a)	<u>14,740</u>	<u>6,660</u>
Balance at March 31	<u>\$ (31,689)</u>	<u>\$ 6,341</u>

19. REVENUE

a. Contract information

	For the Three Months Ended March 31	
	2019	2018
Revenue from contracts with customers		
Revenue from assembly service	\$ 2,136,821	\$ 2,621,517
Revenue from testing service	<u>406,581</u>	<u>431,171</u>
	<u>\$ 2,543,402</u>	<u>\$ 3,052,688</u>

When the Corporation fulfilled the assembly service contract, the customer controls the goods when they are created or enhanced, the Corporation has the right to perform the collection if partial of the assembly service contract have been fulfilled, and the revenue from assembly service is recognized over time. When the Corporation fulfilled the testing service contract, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance, the Corporation has the right to perform the collection if partial of the testing service contract have been fulfilled, and the revenue from testing service is recognized over time.

b. Contact balances

	March 31, 2019	December 31, 2018	March 31, 2018	January 1, 2018
Notes and accounts receivables (Included related parties) (Note 10)	<u>\$2,687,628</u>	<u>\$2,899,347</u>	<u>\$2,868,060</u>	<u>\$2,921,347</u>
Contract assets-current				
Revenue from services	\$ 455,148	\$ 471,025	\$ 459,599	\$ 511,952
Less: Allowance for impairment loss	-	-	-	-
	<u>\$ 455,148</u>	<u>\$ 471,025</u>	<u>\$ 459,599</u>	<u>\$ 511,952</u>
Contract liabilities- current				
Revenue from services	<u>\$ 65,511</u>	<u>\$ 39,323</u>	<u>\$ 45,122</u>	<u>\$ 37,556</u>

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the customer's payment

Revenue of the reporting period recognized from the beginning contract liability and from the performance obligations satisfied in previous periods is as follows:

	For the Three Months Ended March 31	
	2019	2018
From the beginning contract liability		
Revenue from services	<u>\$ 14,480</u>	<u>\$ 15,026</u>

c. Disaggregation of revenue

	For the Three Months Ended March 31	
	2019	2018
<u>Primary geographical markets</u>		
Taiwan (The location of the Corporation)	\$ 1,915,094	\$ 2,259,564
Asia	223,339	278,592
America	215,549	271,787
Europe	189,404	242,657
Africa	16	88
	<u>\$ 2,543,402</u>	<u>\$ 3,052,688</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended March 31	
	2019	2018
Rental income		
Operating lease rental income	\$ 4	\$ 106
Interest income		
Bank deposits	6,523	4,044
Financial assets measured at amortized cost	2,520	2,935
Repurchase agreements collateralized by bonds	11	673
Others	<u>4,391</u>	<u>2,904</u>
	<u>\$ 13,449</u>	<u>\$ 10,662</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2019	2018
Net loss on foreign currency exchange	\$ 6,413	\$ (32,975)
Net gain arising on financial instruments classified as held for trading	(2,389)	5,161
Financial costs	(51)	-
Others	<u>50</u>	<u>(531)</u>
	<u>\$ 4,023</u>	<u>(\$ 28,345)</u>

c. Depreciation and amortization

	For the Three Months Ended March 31	
	2019	2018
An analysis of deprecation by function		
Operating costs	\$ 581,386	\$ 515,587
Operating expenses	<u>8,636</u>	<u>10,794</u>
	<u>\$ 590,022</u>	<u>\$ 526,381</u>
An analysis of amortization by function		
Operating costs	\$ 3,753	\$ 3,266
Selling and marketing expenses	-	-
General and administrative	1,177	1,383
Research and development	<u>1,243</u>	<u>292</u>
	<u>\$ 6,173</u>	<u>\$ 4,941</u>

d. Employee benefits expense

	For the Three Months Ended March 31	
	2019	2018
Post-employment benefits (see Note 17)		
Defined contribution plans	\$ 24,512	\$ 23,487
Defined benefit plans	<u>855</u>	<u>957</u>
	25,367	24,444
Other employee benefits	<u>676,985</u>	<u>748,688</u>
Total employee benefits expense	<u>\$ 702,352</u>	<u>\$ 773,132</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 630,428	\$ 692,048
Operating expenses	<u>71,924</u>	<u>81,084</u>
	<u>\$ 702,352</u>	<u>\$ 773,132</u>

e. Employees' compensation and remuneration of directors

The Corporation stipulate to distribute employees' compensation and remuneration of directors and supervisors at the rates between 9% to 15% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three month ended March 31, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	10%	10%
Remuneration of directors and supervisors	2%	2%

Amount

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	<u>\$ 48,066</u>	<u>\$ 84,386</u>
Remuneration of directors and supervisors	<u>\$ 9,613</u>	<u>\$ 16,878</u>

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 having been resolved by the board of directors on February 25, 2019 and March 12, 2018, respectively, were as below:

	For the Year Ended December 31			
	2018		2017	
	Cash	Share	Cash	Share
Employees' compensation	\$ 313,770	\$ -	\$ 338,617	\$ -
Remuneration of directors and supervisors	62,754	-	67,723	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2018 and 2017.

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

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2019	2018
Foreign exchange gains	\$ 5,384	\$ 10,813
Foreign exchange losses	<u>1,029</u>	<u>(43,788)</u>
	<u>\$ 6,413</u>	<u>\$ (32,975)</u>

21 INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current period	\$ 75,202	\$ 119,292
Deferred tax		
In respect of the current period	11,706	4,018
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(8,272)</u>
Income tax expense recognized in profit or loss	<u>\$ 86,908</u>	<u>\$ 115,038</u>

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2019. The effect of the change in tax rate on deferred tax income/expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

Income tax returns through 2016 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	<u>\$ 0.60</u>	<u>\$ 1.10</u>
Diluted earnings per share	<u>\$ 0.59</u>	<u>\$ 1.09</u>

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

Net Profit for the Periods

	For the Three Months Ended March 31	
	2019	2018
Net profit attributable to owners of the Corporation	\$ 339,667	\$ 625,081
Effect to dilutive potential ordinary shares:		
Employees' compensation	-	-
Net profit in computation of diluted earnings per share	<u>\$ 339,667</u>	<u>\$ 625,081</u>

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

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	568,846	568,846
Effect to dilutive potential ordinary share:		
Employees' compensation	<u>5,779</u>	<u>6,135</u>
Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share	<u>574,625</u>	<u>574,981</u>

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

23. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Corporation's overall strategy has no significant variations.

The capital structure of the Corporation consists of comprising issued capital, reserves and retained earnings.

Key management personnel of the Corporation review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

24. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

March 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 1,051,243	\$ -	\$ 1,056,602	\$ -	\$ 1,056,602

December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Held-to-maturity investments	\$ 1,151,536	\$ -	\$ 1,156,991	\$ -	\$ 1,156,991

March 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Held-to-maturity investments	\$ 1,152,822	\$ -	\$ 1,158,620	\$ -	\$ 1,158,620

The fair value of level 2 mentioned above was used quoted price from Taipei Exchange (Taiwan GreTai Securities Market).

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

1) Fair value hierarchy

March 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,447	\$ -	\$ -	\$ 50,447
Forward exchange contracts	<u>-</u>	<u>33</u>	<u>-</u>	<u>33</u>
	<u>\$ 50,447</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 50,480</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic Listed shares	<u>\$ 160,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,160</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 946</u>	<u>\$ -</u>	<u>\$ 946</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,376	\$ -	\$ -	\$ 50,376
Forward exchange contracts	<u>-</u>	<u>625</u>	<u>-</u>	<u>625</u>
	<u>\$ 50,376</u>	<u>\$ 625</u>	<u>\$ -</u>	<u>\$ 51,001</u>
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 145,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,420</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ 232</u>

March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 50,216	\$ -	\$ -	\$ 50,216
Forward exchange contracts	<u>-</u>	<u>1,643</u>	<u>-</u>	<u>1,643</u>
	<u>\$ 50,216</u>	<u>\$ 1,643</u>	<u>\$ -</u>	<u>\$ 51,859</u>

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	<u>\$ 165,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,060</u>
Financial liabilities at FVTPL				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ -</u>	<u>\$ 137</u>

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

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

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

c. Categories of financial instruments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 50,480	\$ 51,001	\$ 51,859
Financial assets at amortized cost (Note 1)	7,498,842	7,200,860	7,858,067
Financial assets at FVTOCI			
Equity instruments	160,160	145,420	165,060
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	946	232	137
Amortized cost (Note 2)	799,222	904,472	1,190,779

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables (included related parties), other receivables and other assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise notes and accounts payable, payables to equipment suppliers and other payables.

d. Financial risk management objectives and policies

The Corporation's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

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

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. Approximately 55% and 53% of the Corporation's sales were denominated in currencies other than the functional currency of the Corporation entity making the sale, whilst almost 15% and 14% of costs were denominated in the Corporation entity's functional currency for the three months ended March 31, 2019 and 2018. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 27.

The Corporation use forward exchange contracts to eliminate currency exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

Sensitivity analysis

The Corporation was mainly exposed to the currency USD. The sensitivity analysis included currency USD denominated monetary items at the end of the reporting period. For a 1% strengthening and weakening of New Taiwan dollars against US dollars, the Corporation's pre-tax profit for the three months ended March 31, 2019 and 2018 would decrease/increase by \$7805 thousand and \$13,640 thousand.

b) Interest rate risk

The carrying amount of the Corporation's financial assets with exposure to interest rates at the end of the reporting period was as follows. The Corporation's interest rate risk also comes from borrowings at floating interest rates.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Fair value interest rate risk			
Financial assets	\$ 3,592,150	\$ 2,970,351	\$ 3,513,653
Cash flow interest rate risk			
Financial assets	140,555	148,592	297,278

Sensitivity analysis

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the three months ended March 31, 2019 and 2018 would increase/decrease by \$176 thousand and \$372 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its variable-rate net assets.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in financial assets classified as fair value through profit or loss (i.e. FVTPL), available-for-sale, and fair value through other comprehensive income (i.e. FVTOCI).

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 1% higher/lower, the Corporation's pre-tax profit for the three months ended March 31, 2019 and 2018 would increase/decrease by \$504 thousand and \$502 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTPL. If equity prices had been 1% higher/lower, the Corporation's other comprehensive income for the three months ended March 31, 2019 and 2018 would increase/decrease by \$1,602 thousand and \$1,651 thousand, respectively, as a result of the changes in fair value of financial instruments classified as FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the management of the Corporation has set credit and accounts receivable management approach to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit.

Credit risk management for investments in debt instruments classified as at amortized cost was as follow.

The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed, high liquidity securities and reserve borrowing facilities adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity of non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

March 31, 2019

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 531,316	\$ -	\$ -	\$ -	\$ -
Lease liabilities	345	345	690	5,520	5,800
Payables to equipment suppliers	145,339	-	-	-	-
Other payables	<u>122,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 799,567</u>	<u>\$ 345</u>	<u>\$ 690</u>	<u>\$ 5,520</u>	<u>\$ 5,800</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 1,380</u>	<u>\$ 5,520</u>	<u>\$ 4,080</u>	<u>\$ 1,720</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 620,299	\$ -	\$ -	\$ -	\$ -
Payables to equipment suppliers	112,084	-	-	-	-
Other payables	<u>172,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 904,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 679,728	\$ -	\$ -	\$ -	\$ -
Payables to equipment suppliers	333,377	-	-	-	-
Other payables	<u>177,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,190,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Liquidity of derivative financial liabilities

The following table detailed the Corporation's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

March 31, 2019

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Forward exchange contracts					
Inflows	\$ 300,199	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(301,546)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(\$ 1,347)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 352,391	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(352,648)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	(<u>\$ 257</u>)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>March 31, 2018</u>					
	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Forward exchange contracts					
Inflows	\$ 390,575	\$ -	\$ -	\$ -	\$ -
Outflows	<u>(389,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is PTI, which held 42.91% of common shares of the Corporation as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

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

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Powertech Technology Inc.	Parent entity
Weltrend Semiconductor, Inc. (No longer the related party of the Corporation since May 29, 2018.)	Other related parties
Realtek Semiconductor Corp.	Other related parties
Realtek Asia Inc.	Other related parties
Realtek Singapore Private Limited	Other related parties
Powertech Technology (Singapore) Pte Ltd.	Fellow subsidiaries

b. Revenue

<u>Account Items</u>	<u>Related Parties Types</u>	<u>For the Three Months Ended March 31</u>	
		<u>2019</u>	<u>2018</u>
Subcontract revenue	Other related parties	\$ 360,542	\$ 297,348
	Parent entity	<u>11,371</u>	<u>31,140</u>
		<u>\$ 371,913</u>	<u>\$ 328,488</u>

Sales transactions with related parties were made at the Corporation's usual list prices. The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

c. Contract assets

Related Parties Types	March 31, 2019	December 31, 2018	March 31, 2018
Other related parties	\$ 39,032	\$ 32,908	\$ 40,670
Parent entity	<u>233</u>	<u>112</u>	<u>529</u>
	<u>\$ 39,265</u>	<u>\$ 33,020</u>	<u>\$ 41,199</u>

For the three months ended March 31, 2019 and 2018, and for the year ended December 31, 2018, no impairment loss was recognized for contract assets from related parties.

d. Manufacturing expenses

Related Parties Types	For the Three Months Ended March 31	
	2019	2018
Fellow subsidiaries	<u>\$ 129</u>	<u>\$ 19,063</u>

The prices and payment terms were negotiated and thus not comparable with those in the market.

e. Operating expenses

Related Parties Types	For the Three Months Ended March 31	
	2019	2018
Parent entity	<u>\$ 100</u>	<u>\$ 575</u>

The prices and payment terms were negotiated and thus not comparable with those in the market.

f. Account receivables from related parties

Account Items	Related Parties Types	March 31, 2019	December 31, 2018	March 31, 2018
Account receivables from related parties	Other related parties	\$ 403,319	\$ 267,620	\$ 284,670
	Parent entity	<u>13,061</u>	<u>17,209</u>	<u>40,002</u>
		<u>\$ 416,380</u>	<u>\$ 284,829</u>	<u>\$ 324,672</u>

g. Other receivables

Account Items	Related Parties Types	March 31, 2019	December 31, 2018	March 31, 2018
Prepaid expenses and other current assets	Parent entity	\$ 7,190	\$ 9,367	\$ 5,084
	Other related parties	<u>989</u>	<u>249</u>	<u>1,288</u>
		<u>\$ 8,179</u>	<u>\$ 9,616</u>	<u>\$ 6,372</u>

h. Accrued expenses

Account Items	Related Parties Types	March 31, 2019	December 31, 2018	March 31, 2018
Accrued expenses and other current liabilities	Parent entity Fellow subsidiaries	\$ 446 <u>129</u>	\$ 829 <u>7,301</u>	\$ 1,024 <u>20,664</u>
		<u>\$ 575</u>	<u>\$ 8,130</u>	<u>\$ 21,688</u>

i. Compensation of key management personnel

	For the Three Months Ended March 31	
	2019	2018
Short-term benefits	<u>\$ 15,754</u>	<u>\$ 23,368</u>

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral mainly for guarantee deposits for domestic sales and gas volume in CPC Corporation.

	March 31, 2019	December 31, 2018	March 31, 2018
Pledge deposits (classified as other asset - noncurrent)	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>

27. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 57,200	30.770 (USD:NTD)	<u>\$ 1,760,046</u>
Non-monetary items			
Derivative instruments			
USD	1,500	30.726 (USD:NTD)	<u>\$ 33</u>

	March 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	4,502	30.870 (USD:NTD)	\$ 138,988
JPY	81,902	0.2803 (JPY:NTD)	22,957
EUR	8	34.81 (EUR:NTD)	<u>265</u>
			<u>\$ 162,210</u>
Non-monetary items			
Derivative instruments			
USD	8,300	30.726 (USD:NTD)	<u>\$ 946</u>
	December 31, 2018		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,069	30.665 (USD:NTD)	<u>\$ 1,596,699</u>
Non-monetary items			
Derivative instruments			
USD	9,100	30.609 (USD:NTD)	<u>\$ 625</u>
<u>Financial liabilities</u>			
Monetary items			
USD	6,373	30.765 (USD:NTD)	\$ 196,075
JPY	57,375	0.2802 (JPY:NTD)	16,076
EUR	14	35.40 (EUR:NTD)	<u>497</u>
			<u>\$ 212,648</u>
Non-monetary items			
Derivative instruments			
USD	2,400	30.609 (USD:NTD)	<u>\$ 232</u>
	March 31, 2018		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 53,062	29.055 (USD:NTD)	<u>\$ 1,541,711</u>
Non-monetary items			
Derivative instruments			
USD	11,100	29.035 (USD:NTD)	<u>\$ 1,643</u>

	March 31, 2018		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	6,095	29.155 (USD:NTD)	\$ 177,702
JPY	59,306	0.2759 (JPY:NTD)	16,362
EUR	16	36.07 (EUR:NTD)	<u>572</u>
			<u>\$ 194,636</u>
Non-monetary items			
Derivative instruments			
USD	2,300	29.035 (USD:NTD)	<u>\$ 137</u>

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$6,413 thousand and \$(32,975) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Corporation entities.

28. SEPARATELY DISCLOSED ITEMS

Information about significant transactions and investees:

- a. Loans provided to other parties: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Table 1 (attached).
- d. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.
- e. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 2 (attached).
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached).
- i. Derivative transactions: Note 7.
- j. Names, locations, and related information of investees over which the Corporation exercises significant influence: None.
- k. Information on investment in mainland China: None.

32. SEGMENT INFORMATION

The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the financial statements. The segment revenues and operating results for the three months ended March 31, 2019 and 2018 are shown in the income statements for the three months ended March 31, 2019 and 2018. The segment assets as of March 31, 2019, December 31, 2018, and March 31, 2018 are shown in the balance sheets as of March 31, 2019, December 31, 2018, and March 31, 2018.

GREATEK ELECTRONICS INC.

MARKETABLE SECURITIES HELD
MARCH 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Greatek Electronics Inc.	<u>Fund</u>							
	FSITC Money Fund	-	Financial assets at fair value through profit or loss - current	283	\$ 50,447	-	\$ 50,447	Note 1
	<u>Bond</u>							
	P04 Hon Hai4C	-	Financial assets at amortized cost – current	100	100,000	-	100,251	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost – current	300	300,001	-	303,454	Note 2
	P07 Taipower 1A	-	Financial assets at amortized cost – noncurrent	200	200,001	-	200,000	Note 2
	02 Taipower 1B	-	Financial assets at amortized cost – noncurrent	150	151,241	-	151,230	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost – noncurrent	100	100,000	-	100,048	Note 2
	P04 FENC 4	-	Financial assets at amortized cost – noncurrent	100	100,000	-	100,693	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - noncurrent	100	100,000	-	100,926	Note 2
	<u>Stock</u>							
	Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive profit or loss - noncurrent	2,200	160,160	-	160,160	Note 3
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 4
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 4
Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 4	

Note 1: The fair value was based on the net asset value of the fund as of as of March 31, 2019.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of March 31, 2019.

Note 3: The fair value of common shares was based on stock closing price as of March 31, 2019.

Note 4: The fair value was based on the carrying value as of as of March 31, 2019.

Note 5: As of March 31, 2019, the above marketable securities had not been pledged or mortgaged.

GREATEK ELECTRONICS INC.

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate supervisor	Sale	\$ 232,912	9	Net 60 days from monthly closing dates	Note	-	\$ 248,473	9	-
	Realtek Singapore Private Limited	Same parent company with the corporate director	Sale	127,630	5	Net 60 days from monthly closing dates	Note	-	154,846	6	-

Note : Sales transactions with related parties were made at the Corporation's usual list prices.

GREATEK ELECTRONICS INC.

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate supervisor	\$ 248,473	3.91	\$ -	-	\$ 78,240	\$ -
	Realtek Singapore Private Limited	Same parent company with the corporate director	154,846	5.24	-	-	-	-