# Greatek Electronics Inc.

**Financial Statements for the**
**Six Months Ended June 30, 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 June 30, 2019 and 2018 and the related statements of comprehensive income, changes in equity and cash flows for the six-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 June 30, 2019 and 2018, and of its financial performance and its cash flows for the six-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

July 31, 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)**

| ASSETS | June 30, 2019 (Reviewed) Amount | % | December 31, 2018 (Audited) Amount | % | June 30, 2018 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 4,135,792 | 21 | $ 3,043,943 | 16 | $ 4,001,201 | 20 |
| Financial assets at fair value through profit or loss - current (Note 7) | 52,026 | - | 51,001 | - | 50,277 | - |
| Financial assets at amortized cost - current (Note 9) | 250,959 | 1 | 200,015 | 1 | 100,290 | 1 |
| Contract assets - current (Notes 19 and 25) | 502,933 | 3 | 471,025 | 3 | 471,314 | 2 |
| Notes receivable (Notes 10 and 19) | 74,183 | - | 78,037 | - | 72,974 | - |
| Accounts receivable (Notes 10 and 19) | 2,494,867 | 13 | 2,536,481 | 13 | 2,719,231 | 14 |
| Receivables from related parties (Notes 19 and 25) | 364,031 | 2 | 284,829 | 2 | 308,006 | 2 |
| Inventories (Note 11) | 464,592 | 2 | 572,192 | 3 | 492,947 | 2 |
| Prepaid expenses and other current assets (Notes 15 and 25) | 108,204 | 1 | 113,557 | 1 | 128,387 | 1 |
| Total current assets | 8,447,587 | 43 | 7,351,080 | 39 | 8,344,627 | 42 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 167,200 | 1 | 145,420 | 1 | 159,300 | 1 |
| Financial assets at amortized cost - noncurrent (Note 9) | 800,002 | 4 | 951,521 | 5 | 1,052,089 | 5 |
| Property, plant and equipment (Notes 12 and 25) | 9,934,072 | 51 | 10,160,233 | 54 | 9,982,211 | 51 |
| Right-of-use assets (Notes 3, 4, 5 and 13) | 11,299 | - | - | - | - | - |
| Intangible assets (Note 14) | 81,723 | - | 85,742 | 1 | 73,214 | - |
| Deferred income tax assets | 31,806 | - | 48,503 | - | 48,542 | - |
| Other noncurrent assets (Notes 15 and 26) | 81,825 | 1 | 82,061 | - | 82,061 | 1 |
| Total non-current assets | 11,107,927 | 57 | 11,473,480 | 61 | 11,397,417 | 58 |
| TOTAL | $ 19,555,514 | 100 | $ 18,824,560 | 100 | $ 19,742,044 | 100 |

| LIABILITIES AND EQUITY | June 30, 2019 (Reviewed) Amount | % | December 31, 2018 (Audited) Amount | % | June 30, 2018 (Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| CURRENT LIABILITIES | | | | | | |
| Financial liabilities at fair value through profit or loss - current (Note 7) | $ 1,541 | - | $ 232 | - | $ 10,406 | - |
| Contract liabilities - current (Note 19) | 44,118 | - | 39,323 | - | 40,843 | - |
| Notes payable | 2,447 | - | 1,949 | - | 3,361 | - |
| Accounts payable | 717,254 | 4 | 618,350 | 3 | 738,774 | 4 |
| Payables to equipment suppliers | 149,930 | 1 | 112,084 | 1 | 213,295 | 1 |
| Dividend payable (Note 18) | 1,535,884 | 8 | | | 1,706,538 | 9 |
| Accrued compensation to employees and remuneration to directors and supervisors (Note 20) | 514,180 | 3 | 376,524 | 2 | 611,393 | 3 |
| Current income tax liabilities | 229,928 | 1 | 353,296 | 2 | 327,675 | 2 |
| Lease liabilities - current (Notes 3, 4, 5 and 13) | 1,198 | - | - | - | - | - |
| Accrued expenses and other current liabilities (Notes 16 and 25) | 585,129 | 3 | 867,962 | 5 | 688,607 | 3 |
| Total current liabilities | 3,781,609 | 20 | 2,369,720 | 13 | 4,340,892 | 22 |
| NON-CURRENT LIABILITIES | | | | | | |
| Deferred income tax liabilities | 104 | - | 154 | - | 7,028 | - |
| Lease liabilities - noncurrent (Notes 3, 4, 5 and 13) | 10,147 | - | - | - | - | - |
| Guarantee deposits | 16 | - | 90 | - | 90 | - |
| Net defined benefit liability - noncurrent (Notes 4 and 17) | 233,150 | 1 | 235,532 | 1 | 216,310 | 1 |
| Total non-current liabilities | 243,417 | 1 | 235,776 | 1 | 223,428 | 1 |
| Total liabilities | 4,025,026 | 21 | 2,605,496 | 14 | 4,564,320 | 23 |
| EQUITY (Notes 18 and 23) | | | | | | |
| Capital stock | | | | | | |
| Common stock | 5,688,459 | 29 | 5,688,459 | 30 | 5,688,459 | 29 |
| Capital surplus | 1,865 | - | 1,865 | - | 1,769 | - |
| Retained earnings | | | | | | |
| Legal reserve | 3,072,210 | 16 | 2,834,665 | 15 | 2,834,665 | 14 |
| Special reserve | 46,429 | - | 319 | - | 319 | - |
| Unappropriated earnings | 6,746,174 | 34 | 7,740,185 | 41 | 6,651,931 | 34 |
| Other equity | (24,649) | - | (46,429) | - | 581 | - |
| Total equity | 15,530,488 | 79 | 16,219,064 | 86 | 15,177,724 | 77 |
| TOTAL | $ 19,555,514 | 100 | $ 18,824,560 | 100 | $ 19,742,044 | 100 |

he 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 June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| NET SALES (Notes 19 and 25) | $ 2,958,939 | 100 | $ 3,193,421 | 100 | $ 5,502,341 | 100 | $ 6,246,109 | 100 |
| OPERATING COSTS (Notes 11, 17, 20 and 25) | 2,230,723 | 75 | 2,298,343 | 72 | 4,265,207 | 78 | 4,481,339 | 72 |
| GROSS PROFIT | 728,216 | 25 | 895,078 | 28 | 1,237,134 | 22 | 1,764,770 | 28 |
| OPERATING EXPENSES (Notes 17, 20 and 25) | | | | | | | | |
| Selling and marketing expenses | 11,436 | - | 11,814 | - | 21,891 | - | 23,265 | - |
| General and administrative | 65,847 | 2 | 52,476 | 2 | 109,276 | 2 | 103,718 | 2 |
| Research and development | 47,968 | 2 | 47,251 | 2 | 93,899 | 2 | 96,448 | 1 |
| Total operating expenses | 125,251 | 4 | 111,541 | 4 | 225,066 | 4 | 223,431 | 3 |
| OPERATING INCOME | 602,965 | 21 | 783,537 | 24 | 1,012,068 | 18 | 1,541,339 | 25 |
| NONOPERATING INCOME AND EXPENSES (Note 20) | | | | | | | | |
| Other income | 16,375 | 1 | 11,882 | - | 29,824 | 1 | 22,544 | - |
| Other gains and losses | 11,693 | - | 46,156 | 2 | 15,716 | - | 17,811 | - |
| Total nonoperating income and expenses | 28,068 | 1 | 58,038 | 2 | 45,540 | 1 | 40,355 | - |
| INCOME BEFORE INCOME TAX | 631,033 | 22 | 841,575 | 26 | 1,057,608 | 19 | 1,581,694 | 25 |
| INCOME TAX EXPENSE (Notes 4 and 21) | 145,172 | 5 | 200,899 | 6 | 232,080 | 4 | 315,937 | 5 |
| NET INCOME | 485,861 | 17 | 640,676 | 20 | 825,528 | 15 | 1,265,757 | 20 |
| 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) | 7,040 | - | (5,760) | - | 21,780 | - | 900 | - |
| TOTAL COMPREHENSIVE INCOME | $ 492,901 | 17 | $ 634,916 | 20 | $ 847,308 | 15 | $ 1,266,657 | 20 |
| EARNINGS PER SHARE (Note 22) | | | | | | | | |
| Basic | $ 0.85 | | $ 1.13 | | $ 1.45 | | $ 2.23 | |
| Diluted | $ 0.85 | | $ 1.12 | | $ 1.44 | | $ 2.20 | |

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)**

| | Share Capital Issued and Outstanding | | | Retained Earnings | | | Other Equity | |
|---|---|---|---|---|---|---|---|---|
| | Share (Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income | Total Equity |
| BALANCE, JANUARY 1, 2018 | 568,846 | $ 5,688,459 | $ 1,769 | $ 2,583,802 | $ - | $ 7,343,894 | $ (319) | $ 15,617,605 |
| APPROPRIATION OF 2017 EARNINGS | | | | | | | | |
| Legal reserve | - | - | - | 250,863 | - | (250,863) | - | - |
| Special reserve | - | - | - | - | 319 | (319) | - | - |
| Cash dividends to shareholders - NT$3.00 per share | - | - | - | - | - | (1,706,538) | - | (1,706,538) |
| Net income for the six months ended June 30, 2018 | - | - | - | - | - | 1,265,757 | - | 1,265,757 |
| Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax | - | - | - | - | - | - | 900 | 900 |
| Total comprehensive income (loss) for the six months ended June 30, 2018 | - | - | - | - | - | 1,265,757 | 900 | 1,266,657 |
| BALANCE, JUNE 30, 2018 | 568,846 | $ 5,688,459 | $ 1,769 | $ 2,834,665 | $ 319 | $ 6,651,931 | $ 581 | $ 15,177,724 |
| BALANCE, JANUARY 1, 2019 | 568,846 | $ 5,688,459 | $ 1,865 | $ 2,834,665 | $ 319 | $ 7,740,185 | $ (46,429) | $ 16,219,064 |
| APPROPRIATION OF 2018 EARNINGS | | | | | | | | |
| Legal reserve | - | - | - | 237,545 | - | (237,545) | - | - |
| Special reserve | - | - | - | - | 46,110 | (46,110) | - | - |
| Cash dividends to shareholders - NT$2.70 per share | - | - | - | - | - | (1,535,884) | - | (1,535,884) |
| Net income for the six months ended June 30, 2019 | - | - | - | - | - | 825,528 | - | 825,528 |
| Other comprehensive income (loss) for the six months ended June 30, 2019, net of income tax | - | - | - | - | - | - | 21,780 | 21,780 |
| Total comprehensive income (loss) for the six months ended June 30, 2019 | - | - | - | - | - | 825,528 | 21,780 | 847,308 |
| BALANCE, JUNE 30, 2019 | 568,846 | $ 5,688,459 | $ 1,865 | $ 3,072,210 | $ 46,429 | $ 6,746,174 | $ 21,780 | $ 15,530,488 |

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

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# GREATEK ELECTRONICS INC.

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Current income before income tax | $ 1,057,608 | $ 1,581,694 |
| Adjustments to reconcile income before income tax to net cash provided by operating activities: | | |
| Depreciation | 1,206,569 | 1,075,952 |
| Amortization | 12,324 | 10,065 |
| Impairment losses recognized on receivables | 21,400 | - |
| Net gain on fair value change of financial instruments designated as at fair value through profit or loss | 284 | 12,203 |
| Finance costs | 99 | - |
| Premium amortization of financial assets at amortized cost | 575 | 927 |
| Interest revenue | (19,688) | (15,936) |
| Net gain on disposal of property, plant and equipment | (72) | (105) |
| Expenses from property, plant and equipment | 4 | - |
| Provision (reversal) of inventory valuation and obsolescence losses | 1,923 | (7,111) |
| Net gain on foreign currency exchange | (9,997) | (49,902) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in contract assets | (31,908) | 40,638 |
| Decrease in notes receivable | 3,854 | 3,046 |
| Increase (increase) in accounts receivable | 24,871 | (182,566) |
| (Increase) decrease in accounts receivable from related parties | (79,202) | 55,676 |
| Decrease (increase) in inventories | 105,677 | (19,956) |
| Decrease (increase) in prepaid expenses and other current assets | 2,365 | (30,032) |
| Increase in contract liabilities | 4,795 | 3,287 |
| Increase in notes payable | 498 | 1,120 |
| Increase in accounts payable | 99,929 | 50,049 |
| Decrease in accrued compensation to employees and remuneration to directors and supervisors | 137,656 | 205,053 |
| Decrease in accrued expenses and other accounts payable | (282,833) | (178,067) |
| Decrease in net defined benefit liability | (2,382) | (2,297) |
| Net cash provided by operating activities | 2,254,349 | 2,553,738 |
| Interest received | 22,676 | 19,740 |
| Interest paid | (99) | - |
| Income tax paid | (338,801) | (278,219) |
| Net cash provided by operating activities | 1,938,125 | 2,295,259 |

(Continued)

# GREATEK ELECTRONICS INC.

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | $ - | $ (200,001) |
| Proceeds from financial assets at amortized cost | 100,000 | 200,000 |
| Acquisition of property, plant and equipment | (942,166) | (1,635,904) |
| Proceeds from disposal of property, plant and equipment | 286 | 105 |
| Decrease in refundable deposits | 236 | 195 |
| Increase in intangible assets | (8,305) | (4,291) |
| Net cash used in investing activities | (849,949) | (1,639,896) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in guarantee deposits | (74) | - |
| Repayment of the principal portion of lease liabilities | (591) | - |
| Net cash used in financing activities | (665) | - |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | 4,338 | 1,975 |
| NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | 1,091,849 | 657,338 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 3,043,943 | 3,343,863 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 4,135,792 | $ 4,001,201 |

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

## 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 June 30, 2019 and 2018.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on July 31, 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 | - |
| Undiscounted amounts on January 1, 2019 | $ 13,045 |
| Discounted amounts using the incremental borrowing rate on January 1, 2019 | $ 11,936 |
| Lease liabilities recognized on January 1, 2019 | $ 11,936 |

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 | $ - | $ 11,936 | $ 11,936 |
| Total effect on assets | $ - | $ 11,936 | $ 11,936 |
| Lease liabilities - current | $ - | $ 1,188 | $ 1,188 |
| Lease liabilities - non-current | - | 10,748 | 10,748 |
| Total effect on liabilities | $ - | $ 11,936 | $ 11,936 |

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.

<u>2018</u>

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Bank deposits | $ 4,135,792 | $ 3,043,943 | $ 3,977,201 |
| Repurchase agreements collateralized by bonds | - | - | 24,000 |
| | $ 4,135,792 | $ 3,043,943 | $ 4,001,201 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Bank deposits | 0.13%-2.48% | 0.13%-2.48% | 0.09%-1.85% |
| Repurchase agreement collateralized by bonds | - | - | 0.36% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Financial assets at FVTPL - current | | | |
| Financial assets held for trading - current | | | |
| Non-derivative financial assets | | | |
| Mutual funds | $ 50,518 | $ 50,376 | $ 50,266 |
| Derivative financial assets (not under hedge accounting) | | | |
| Foreign exchange forward contracts | 1,508 | 625 | 11 |
| | $ 52,026 | $ 51,001 | $ 50,277 |
| Financial liabilities at FVTPL - current | | | |
| Financial liabilities held for trading - current | | | |
| Derivative financial liabilities (not under hedge accounting) | | | |
| Foreign exchange forward contracts | $ 1,541 | $ 232 | $ 10,406 |

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) |
|---|---|---|---|
| June 30, 2019 | | | |
| Sell forward exchange contracts | USD to NTD | 2019.07.11-2019.09.17 | USD10,800 / NTD334,545 |
| December 31, 2018 | | | |
| Sell forward exchange contracts | USD to NTD | 2019.01.10 -2019.03.13 | USD11,500 / NTD352,391 |
| June 30, 2018 | | | |
| Sell forward exchange contracts | USD to NTD | 2018.07.11-2018.09.13 | USD12,500 / NTD369,724 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Non-current | | | |
| Domestic investments | | | |
| Listed shares | | | |
| Ordinary shares - Powertech Technology Inc. | $ 167,200 | $ 145,420 | $ 159,300 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Current | | | |
| Domestic investments | | | |
| Corporate bonds - 02 Taiwan Power Company 1B Bond | $ 150,959 | $ - | $ - |
| Corporate bonds - P04 Hon Hai 4C Bond | 100,000 | 100,000 | - |
| Corporate bonds - 01 TSMC 1B Bond | - | 100,015 | 100,290 |
| | $ 250,959 | $ 200,015 | $ 100,290 |
| Noncurrent | | | |
| 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 | 200,001 |
| 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 - 02 Taiwan Power Company 1B Bond | - | 151,518 | 152,086 |
| Corporate bonds - P04 Hon Hai 4C Bond | - | - | 100,000 |
| | $ 800,002 | $ 951,521 | $1,052,089 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Notes receivable - operating | $ 74,183 | $ 78,037 | $ 72,974 |
| Accounts receivable | $ 2,549,747 | $ 2,569,961 | $ 2,752,711 |
| Less: Allowance for impairment loss | (54,880) | (33,480) | (33,480) |
| | $ 2,494,867 | $ 2,536,481 | $ 2,719,231 |

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.

June 30, 2019

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $ 2,351,238 | $ 39,596 | $ 13,690 | $ 2,891 | $ 142,332 | $ 2,549,747 |
| Loss allowance (Lifetime ECL) | (7,859) | (17,461) | (4,731) | (2,337) | (22,492) | (54,880) |
| Amortized cost | $ 2,343,379 | $ 22,135 | $ 8,959 | $ 554 | $ 119,840 | $ 2,494,867 |

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) | (6,133) | (15,943) | (4,093) | (3,428) | (3,883) | (33,480) |
| Amortized cost | $ 2,316,132 | $ 168,419 | $ 49,699 | $ 95 | $ 2,136 | $ 2,536,481 |

June 30, 2018

| | Not Past Due | Less than 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $ 2,720,007 | $ 25,539 | $ 5,831 | $ 858 | $ 476 | $ 2,752,711 |
| Loss allowance (Lifetime ECL) | (7,302) | (19,013) | (5,831) | (858) | (476) | (33,480) |
| Amortized cost | $ 2,712,705 | $ 6,526 | $ - | $ - | $ - | $ 2,719,231 |

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| Balance at January 1 | $ 33,480 | $ 33,480 |
| Add: Net measurement of loss allowance | 21,400 | - |
| Balance at June 30 | $ 54,880 | $ 33,480 |

## 11. INVENTORIES

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Raw materials | $ 407,477 | $ 503,712 | 419,625 |
| Supplies | 57,115 | 68,480 | 73,322 |
| | $ 464,592 | $ 572,192 | $ 492,947 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Provision (reversal) of inventory valuation and obsolescence losses | $ 1,597 | $ 2,662 | $ 1,923 | $ (7,111) |
| Unallocated overheads | $ 66,228 | $ 58,698 | $ 163,449 | $ 161,209 |
| Sales of scrapes | $ (11,629) | $ (14,901) | $ (21,470) | $ (28,229) |
| Operating Costs | $ 2,230,723 | $ 2,298,343 | $ 4,265,207 | $ 4,481,339 |

## 12. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2018

| | Land | Building | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Equipment under Installation | Construction in Progress | Spare Parts | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | |
| Balance, beginning of period | $ 1,192,232 | $ 3,336,497 | $ 12,975,317 | $ 11,822 | $ 59,334 | $ 367,399 | $ 570,760 | $ 203,528 | $ 106,326 | $ 18,823,215 |
| Additions | 3,203 | 38,743 | 651,476 | 970 | 5,614 | 28,314 | 687,661 | 119,370 | 183,340 | 1,718,691 |
| Disposals | - | - | - | (1,140 ) | - | - | - | - | (160,239 ) | (161,379 ) |
| Reclassified | - | 7,228 | 483,097 | 1,778 | 552 | 10,495 | (503,830 ) | (7,228 ) | - | (7,908 ) |
| Balance, end of period | 1,195,435 | 3,382,468 | 14,109,890 | 13,430 | 65,500 | 406,208 | 754,591 | 315,670 | 129,427 | 20,372,619 |
| Accumulated deprecation | | | | | | | | | | |
| Balance, beginning of period | - | 1,238,917 | 7,999,846 | 8,691 | 26,044 | 202,337 | - | - | - | 9,475,835 |
| Depreciation expense | - | 113,830 | 771,030 | 539 | 4,838 | 25,476 | - | - | 160,239 | 1,075,952 |
| Disposals | - | - | - | (1,140 ) | - | - | - | - | (160,239 ) | (161,379 ) |
| Balance, end of period | - | 1,352,747 | 8,770,876 | 8,090 | 30,882 | 227,813 | - | - | - | 10,390,408 |
| Net book value, beginning of period | $ 1,192,232 | $ 2,097,580 | $ 4,975,471 | $ 3,131 | $ 33,290 | $ 165,062 | $ 570,760 | $ 203,528 | $ 106,326 | $ 9,347,380 |
| Net book value, end of period | $ 1,195,435 | $ 2,029,721 | $ 5,339,014 | $ 5,340 | $ 34,618 | $ 178,395 | $ 754,591 | $ 315,670 | $ 129,427 | $ 9,982,211 |

For the Six Months Ended June 30, 2019

| | Land | Building | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Equipment under Installation | Construction in Progress | Spare Parts | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | |
| 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 | 121,366 | 36,556 | 194,821 | 190 | 3,183 | 8,927 | 439,854 | 4,680 | 170,412 | 979,989 |
| Disposals | - | - | (4,420 ) | - | - | (280 ) | - | - | (171,462 ) | (175,982 ) |
| Reclassified | - | 12,195 | 454,883 | 1,990 | - | - | (456,877 ) | (12,195 ) | - | (4 ) |
| Balance, end of period | 1,316,801 | 3,797,525 | 15,949,173 | 16,714 | 72,707 | 449,489 | 622,787 | 4,680 | 130,231 | 22,360,107 |
| Accumulated deprecation | | | | | | | | | | |
| Balance, beginning of period | - | 1,486,687 | 9,610,713 | 6,971 | 36,236 | 255,264 | - | - | - | 11,395,871 |
| Depreciation expense | - | 130,225 | 870,487 | 994 | 5,496 | 27,268 | - | - | 171,462 | 1,205,932 |
| Disposals | - | - | (4,240 ) | - | - | (66 ) | - | - | (171,462 ) | (175,768 ) |
| Balance, end of period | - | 1,616,912 | 10,476,960 | 7,965 | 41,732 | 282,466 | - | - | - | 12,426,035 |
| Net book value, beginning of period | $ 1,195,435 | $ 2,262,087 | $ 5,692,996 | $ 7,563 | $ 33,288 | $ 185,578 | $ 639,810 | $ 12,195 | $ 131,281 | $ 10,160,233 |
| Net book value, end of period | $ 1,316,801 | $ 2,180,613 | $ 5,472,213 | $ 8,749 | $ 30,975 | $ 167,023 | $ 622,787 | $ 4,680 | $ 130,231 | $ 9,934,072 |

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

| | June 30, 2019 |
|---|---|
| Carrying amounts | |
| Machinery and Equipment | $ 11,299 |

| | For the Three Months Ended June 30, 2019 | For the Six Months Ended June 30, 2019 |
|---|---|---|
| Depreciation charge for right-of-use assets | | |
| Machinery and Equipment | $ 319 | $ 637 |

b. Lease liabilities - 2019

| | June 30, 2019 |
|---|---|
| Carrying amounts | |
| Current | $ 1,198 |
| Non-current | $ 10,147 |

Range of discount rate for lease liabilities was as follows:

| | June 30, 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 Six Months Ended June 30, 2018 |
|---|---|
| | Computer Software |
| Cost | |
| Balance, beginning of period | $ 99,148 |
| Additions | 4,291 |
| Reclassified | 4,220 |
| Disposals | (2,550) |
| Balance, end of period | 105,109 |
| Accumulated amortization | |
| Balance, beginning of period | 24,380 |
| Additions | 10,065 |
| Disposals | (2,550) |
| Balance, end of period | 31,895 |
| Net book value, beginning of period | $ 74,768 |
| Net book value, end of period | $ 73,214 |

| | For the Six Months Ended June 30, 2019 |
|---|---|
| | Computer Software |
| Cost | |
| Balance, beginning of period | $ 128,947 |
| Additions | 8,305 |
| Disposals | (6,078) |
| Balance, end of period | 131,174 |
| Accumulated amortization | |
| Balance, beginning of period | 43,205 |
| Additions | 12,324 |
| Disposals | (6,078) |
| Balance, end of period | 49,451 |
| Net book value, beginning of period | $ 85,742 |
| Net book value, end of period | $ 81,723 |

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

## 15. OTHER ASSETS

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Current | | | |
| Tax refund receivables | $ 31,954 | $ 30,495 | $ 23,444 |
| Other receivables | 26,715 | 22,888 | 19,538 |
| Inventory of supplies | 21,449 | 20,427 | 16,258 |
| Tax overpaid | 10,805 | 21,485 | 46,934 |
| Interest receivable | 5,158 | 8,146 | 5,081 |
| Others (a) | 12,123 | 10,116 | 17,132 |
| | $ 108,204 | $ 113,557 | $ 128,387 |
| Non-current | | | |
| Pledged deposits (b) | $ 75,000 | $ 75,000 | $ 75,000 |
| Refundable deposits | 6,825 | 7,061 | 7,061 |
| | $ 81,825 | $ 82,061 | $ 82,061 |

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

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

## 16. OTHER LIABILITIES

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Current | | | |
| Accrued expenses | | | |
| Bonus | $ 265,209 | $ 453,622 | $ 276,267 |
| | 38,431 | 99,321 | 75,155 |
| Labor and health insurance | 35,385 | 47,295 | 35,675 |
| Utilities | 35,341 | 27,543 | 34,590 |
| Others (a) | 158,765 | 210,094 | 226,327 |
| | 533,131 | 837,875 | 648,014 |
| Other current liabilities | | | |
| Behalf of the collection | 44,451 | 24,110 | 35,209 |
| Temporary receipts | 7,547 | 5,977 | 5,384 |
| | 51,998 | 30,087 | 40,593 |
| | $ 585,129 | $ 867,962 | $ 688,607 |

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

Indemnification payable are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## 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 $23,094 thousand, $24,415 thousand, $47,606 thousand and $47,902 thousand for the three months and six months ended June 30, 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, $957 thousand, $1,710 thousand and $1,914 thousand for the three months and six months ended June 30, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

## 18. EQUITY

a. Ordinary shares

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Numbers of shares authorized (in thousands) | 600,000 | 600,000 | 600,000 |
| Shares authorized | $ 6,000,000 | $ 6,000,000 | $ 6,000,000 |
| Number of shares issued and fully paid (in thousands) | 568,846 | 568,846 | 568,846 |
| Shares issued | $ 5,688,459 | $ 5,688,459 | $ 5,688,459 |

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

| | June 30, 2019 | December 31, 2018 | June 30, 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 |
| May be used to offset a deficit only | | | |
| Donations from shareholders | 218 | 218 | 122 |
| | $ 1,865 | $ 1,865 | $ 1,769 |

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 approved in the shareholders' meetings on May 24, 2019 and 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 | 1,535,884 | 1,706,538 | 2.70 | 3.00 |
| | $ 1,819,539 | $ 1,957,720 | | |

d. Special reserve

| | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 |
|---|---|---|
| Balance at January 1 | $ 319 | $ - |
| Appropriation in respect of Debit to other equity items | 46,110 | 319 |
| Balance at June 30 | $ 46,429 | $ 319 |

e. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2019** | **2018** |
| Balance at January 1 | $ (46,429) | $ (319) |
| Add: Net measurement of loss allowance (a) | 21,780 | 900 |
| Balance at June 30 | $ (24,649) | $ 581 |

## 19. REVENUE

a. Contract information

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue from contracts with customers | | | | |
| Revenue from assembly service | $ 2,497,143 | $ 2,731,283 | $ 4,633,964 | $ 5,352,800 |
| Revenue from testing service | 461,796 | 462,138 | 868,377 | 893,309 |
| | $ 2,958,939 | $ 3,193421 | $ 5,502,341 | $ 6,246,109 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2018 | January 1, 2018 |
| Notes and accounts receivables (included related parties) (Note 10) | $ 2,933,081 | $ 2,899,347 | $ 3,100,211 | $ 2,921,347 |
| Contract assets-current | | | | |
| Revenue from services | $ 502,933 | $ 471,025 | $ 471,314 | $ 511,952 |
| Less: Allowance for impairment loss | - | - | - | - |
| | $ 502,933 | $ 471,025 | $ 471,314 | $ 511,952 |
| Contract liabilities- current | | | | |
| Revenue from services | $ 44,118 | $ 39,323 | $ 40,843 | $ 37,556 |

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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| From the beginning contract liability | | | | |
| Revenue from services | $ 8,088 | $ 2,709 | $ 19,568 | $ 17,735 |

c. Disaggregation of revenue

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Primary geographical markets | | | | |
| Taiwan (The location of the Corporation) | $ 2,288,238 | $ 2,366,604 | $ 4,203,332 | $ 4,626,168 |
| Europe | 238,029 | 504,821 | 427,433 | 747,478 |
| Asia | 216,950 | 34,958 | 440,289 | 313,550 |
| America | 215,722 | 286,927 | 431,271 | 558,714 |
| Africa | - | 111 | 16 | 199 |
| | $ 2,958,939 | $ 3,193,421 | $ 5,502,341 | $ 6,246,109 |

## 20. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Rental income | | | | |
| Operating lease rental income | $ - | $ 105 | $ 4 | $ 211 |
| Interest income | | | | |
| Bank deposits | 8,113 | 5,279 | 14,636 | 9,323 |
| Financial assets measured at amortized cost | 2,521 | 2,800 | 5,041 | 5,735 |
| Repurchase agreements collateralized by bonds | - | 205 | 11 | 878 |
| Others | 5,741 | 3,493 | 10,132 | 6,397 |
| | $ 16,375 | $ 11,882 | $ 29,824 | $ 22,544 |

b. Other gains and losses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net gain (loss) on foreign currency exchange | $ 14,582 | $ 63,339 | $ 20,995 | $ 30,364 |
| Net (loss) gain arising on financial instruments classified as held for trading | (2,513) | (17,008) | (4,902) | (11,847) |
| Financial costs | (48) | - | (99) | - |
| Others | (328) | (175) | (278) | (706) |
| | $ 11,693 | $ 46,156 | $ 15,716 | $ 17,811 |

c. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| An analysis of depreciation by function | | | | |
| Operating costs | $ 607,349 | $ 539,973 | $1,188,735 | $1,055,560 |
| Operating expense | 9,198 | 9,598 | 17,834 | 20,392 |
| | $ 616,547 | $ 549,571 | $1,206,569 | $1,075,952 |
| An analysis of amortization by function | | | | |
| Operating costs | $ 3,920 | $ 3,432 | $ 7,673 | $ 6,698 |
| Selling and marketing expenses | - | - | - | - |
| General and administrative | 955 | 1,392 | 2,132 | 2,775 |
| Research and development | 1,276 | 300 | 2,519 | 592 |
| | $ 6,151 | $ 5,124 | $ 12,324 | $ 10,065 |

d. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Post-employment benefits | | | | |
| Defined contribution plans | $ 23,094 | $ 24,415 | $ 47,606 | $ 47,902 |
| Defined benefit plans (see Note 17) | 855 | 957 | 1,710 | 1,914 |
| | 23,949 | 25,372 | 49,316 | 49,816 |
| Other employee benefits | 699,442 | 764,670 | 1,376,427 | 1,513,358 |
| Total employee benefits expense | $ 723,391 | $ 790,042 | $ 1,425,743 | $ 1,563,174 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| An analysis of employee benefits expense by function | | | | |
| Operating costs | $ 646,478 | $ 708,944 | $ 1,276,906 | $ 1,400,992 |
| Operating expenses | 76,913 | 81,098 | 148,837 | 162,182 |
| | $ 723,391 | $ 790,042 | $ 1,425,743 | $ 1,563,174 |

(Concluded)

e. Employees' compensation and remuneration to directors and supervisors

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 months and six months ended June 30, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2019 | 2018 |
| Employees' compensation | 10% | 10% |
| Remuneration of directors and supervisors | 2% | 2% |

Amount

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Employees' compensation | $ 66,647 | $ 86,491 | $ 114,713 | $ 170,877 |
| Remuneration to directors and supervisors | $ 13,330 | $ 17,298 | $ 22,943 | $ 34,176 |

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in 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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Foreign exchange gains | $ 24,725 | $ 66,937 | $ 30,109 | $ 77,750 |
| Foreign exchange losses | (10,143) | (3,598) | (9,114) | (47,386) |
| | $ 14,582 | $ 63,339 | $ 20,995 | $ 30,364 |

## 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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Current tax | | | | |
| In respect of the current period | $ 124,607 | $ 133,376 | $ 199,809 | $ 252,668 |
| Income tax on unappropriated earnings | 26,724 | 53,001 | 26,724 | 53,001 |
| Adjustments for prior periods | (11,100) | 4,907 | (11,100) | 4,907 |
| Deferred tax | | | | |
| In respect of the current period | 4,941 | 9,615 | 16,647 | 13,633 |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | - | - | (8,272) |
| Income tax expense recognized in profit or loss | $ 145,172 | $ 200,899 | $ 232,080 | $ 315,937 |

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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Basic earnings per share | $ 0.85 | $ 1.13 | $ 1.45 | $ 2.23 |
| Diluted earnings per share | $ 0.85 | $ 1.12 | $ 1.44 | $ 2.20 |

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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net profit attributable to owners of the Corporation | $ 485,861 | $ 640,676 | $ 825,528 | $ 1,265,757 |
| Effect to dilutive potential ordinary shares: | | | | |
| Employees' compensation | - | - | - | - |
| Net profit in computation of diluted earnings per share | $ 485,861 | $ 640,676 | $ 825,528 | $ 1,265,757 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average number of ordinary shares outstanding in computation of basic earnings per share | 568,846 | 568,846 | 568,846 | 568,846 |
| Effect to dilutive potential ordinary share: | | | | |
| Employees' compensation | 2,668 | 3,159 | 4,979 | 5,477 |
| Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share | 571,514 | 572,005 | 573,825 | 574,323 |

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 a 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.

June 30, 2019

| | Carrying Amount | Fair Value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Financial assets at amortized cost | | | | | |
| Domestic corporate bonds | $ 1,050,961 | $ - | $ 1,056,861 | $ - | $ 1,056,861 |

December 31, 2018

| | Carrying Amount | Fair Value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Held-to-maturity investments | $ 1,151,536 | $ - | $ 1,156,991 | $ - | $ 1,156,991 |

June 30, 2018

| | Carrying Amount | Fair Value | | | |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | |
| Held-to-maturity investments | $ 1,152,379 | $ - | $ 1,159,448 | $ - | $ 1,159,448 |

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

June 30, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 50,518 | $ - | $ - | $ 50,518 |
| Forward exchange contracts | - | 1,508 | - | 1,508 |
| | $ 50,518 | $ 1,508 | $ - | $ 52,026 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic Listed shares | $ 167,200 | $ - | $ - | $ 167,200 |
| Financial liabilities at FVTPL | | | | |
| Forward exchange contracts | $ - | $ 1,541 | $ - | $ 1,541 |

December 31, 2018

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

June 30, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Mutual funds | $ 50,266 | $ - | $ - | $ 50,266 |
| Forward exchange contracts | - | 11 | - | 11 |
| | $ 50,266 | $ 11 | $ - | $ 50,277 |
| Available-for-sale financial assets | | | | |
| Securities listed in ROC | | | | |
| Equity securities | $ 159,300 | $ - | $ - | $ 159,300 |
| Financial liabilities at FVTPL | | | | |
| Forward exchange contracts | $ - | $ 10,406 | $ - | $ 10,406 |

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

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Derivatives - foreign currency forward contracts | Discounted cash flow.<br>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

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Financial assets | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Held for trading | $ 52,026 | $ 51,001 | $ 50,277 |
| Financial assets at amortized cost (Note 2) | 8,226,707 | 7,200,860 | 8,353,410 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 167,200 | 145,420 | 159,300 |
| Financial liabilities | | | |
| Fair value through profit or loss (FVTPL) | | | |
| Held for trading | 1,541 | 232 | 10,406 |
| Amortized cost (Note 3) | 2,528,691 | 904,472 | 2,848,938 |

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, dividend payable 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 54% and 52% 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 six months ended June 30, 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.

<u>Sensitivity analysis</u>

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 six months ended June 30, 2019 and 2018 would decrease/increase by $18,150 thousand and $13,003 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.

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 4,089,673 | $ 2,970,351 | $ 3,855,491 |
| Cash flow interest rate risk | | | |
| Financial assets | 121,119 | 148,592 | 220,710 |

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 six months ended June 30, 2019 and 2018 would increase/decrease by $303 thousand and $552 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 six months ended June 30, 2019 and 2018 would increase/decrease by $505 thousand and $503 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 six months ended June 30, 2019 and 2018 would increase/decrease by $1,672 thousand and $1,593 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.

June 30, 2019

| | **On Demand or Less than 3 Month** | **3-6 Months** | **6 Months to 1 Year** | **1-5 Years** | **5+ Years** |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Notes and accounts payable | $ 719,701 | $ - | $ - | $ - | $ - |
| Lease liabilities | 345 | 345 | 690 | 5,475 | 5,500 |
| Payables to equipment suppliers | 149,930 | - | - | - | - |
| Dividend payable | 1,535,884 | - | - | - | - |
| Other payables | 123,176 | - | - | - | - |
| | $ 2,529,036 | $ 345 | $ 690 | $ 5,475 | $ 5,500 |

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 | $ 1,380 | $ 5,475 | $ 3,900 | $ 1,600 | $ - | $ - |

December 31, 2018

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

June 30, 2018

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Notes and accounts payable | $ 742,135 | $ - | $ - | $ - | $ - |
| Payables to equipment suppliers | 213,295 | - | - | - | - |
| Dividend payable | 1,706,538 | - | - | - | - |
| Other payables | 186,970 | - | - | - | - |
| | $ 2,848,938 | $ - | $ - | $ - | $ - |

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.

June 30, 2019

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Gross settled | | | | | |
| Forward exchange contracts | | | | | |
| Inflows | $ 334,545 | $ - | $ - | $ - | $ - |
| Outflows | (334,908) | - | - | - | - |
| | $ (363) | $ - | $ - | $ - | $ - |

December 31, 2018

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Gross settled | | | | | |
| Forward exchange contracts | | | | | |
| Inflows | $ 352,391 | $ - | $ - | $ - | $ - |
| Outflows | (352,648) | - | - | - | - |
| | $ (257) | $ - | $ - | $ - | $ - |

June 30, 2018

| | On Demand or Less than 3 Month | 3-6 Months | 6 Months to 1 Year | 1-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Gross settled | | | | | |
| Forward exchange contracts | | | | | |
| Inflows | $ 369,724 | $ - | $ - | $ - | $ - |
| Outflows | (380,125) | - | - | - | - |
| | $ (10,401) | $ - | $ - | $ - | $ - |

## 25. TRANSACTIONS WITH RELATED PARTIES

The Corporation's parent is PTI, which held 42.91% of common shares of the Corporation as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

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

a. Related party name and relationship

| Related Party Name | Relationship with the Corporation |
|---|---|
| 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 Singapore Private Limited | Other related parties |
| Powertech Technology (Singapore) Pte Ltd. | Fellow subsidiaries |
| TeraPower Technology Inc. | Fellow subsidiaries |
| TeraPower Technology Inc. | Fellow subsidiaries |

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

b. Sales of goods

| Account Items | Related Parties Types | For the Three Months Ended June 30 2019 | For the Three Months Ended June 30 2018 | For the Six Months Ended June 30 2019 | For the Six Months Ended June 30 2018 |
|---|---|---|---|---|---|
| Sales of goods | Other related parties | $ 349,032 | $ 307,090 | $ 709,574 | $ 604,438 |
| | Parent entity | 18,268 | 16,581 | 29,639 | 47,721 |
| | | $ 367,300 | $ 323,671 | $ 739,213 | $ 652,159 |

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 | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Other related parties | $ 47,814 | $ 32,908 | $ 38,949 |
| Parent entity | 201 | 112 | 742 |
| | $ 48,015 | $ 33,020 | $ 39,691 |

For the six months ended June 30, 2019, no impairment loss was recognized for contract assets from related parties.

d. Manufacturing expenses

| Related Parties Types | For the Three Months Ended June 30 2019 | For the Three Months Ended June 30 2018 | For the Six Months Ended June 30 2019 | For the Six Months Ended June 30 2018 |
|---|---|---|---|---|
| Fellow subsidiaries | $ 136 | $ 21,263 | $ 265 | $ 40,326 |

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 June 30 2019 | For the Three Months Ended June 30 2018 | For the Six Months Ended June 30 2019 | For the Six Months Ended June 30 2018 |
|---|---|---|---|---|
| Parent entity | $ 251 | $ 425 | $ 351 | $ 1,000 |

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

f. Trade receivables from related parties

| Account Items | Related Parties Types | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Trade receivables from related parties | Other related parties | $ 339,245 | $ 267,620 | $ 279,113 |
| | Parent entity | 24,786 | 17,209 | 28,893 |
| | | $ 364,031 | $ 284,829 | $ 308,006 |

g. Other receivables

| Related Parties Types | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Parent entity | $ 13,020 | $ 9,367 | $ 9,574 |
| Other related parties | 1,397 | 249 | 1,488 |
| | $ 14,417 | $ 9,616 | $ 11,062 |

h. Accrued expenses

| Account Items | Related Parties Types | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|---|
| Accrued expenses and other current liabilities | Fellow subsidiaries | $ 386 | $ 7,301 | $ 25,205 |
| | Parent entity | 352 | 829 | 945 |
| | | $ 738 | $ 8,130 | $ 26,150 |

i. Acquisitions of property, plant and equipment

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| Related Parties Types | 2019 | 2018 | 2019 | 2018 |
| Fellow subsidiaries | $ | $ 7,200 | $ | $ 7,200 |

k. Compensation of key management personnel

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Short-term benefits | $ 19,774 | $ 24,453 | $ 35,528 | $ 47,821 |

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.

| | June 30, 2019 | December 31, 2018 | June 30, 2018 |
|---|---|---|---|
| Pledge deposits (classified as other asset - noncurrent) | $ 75,000 | $ 75,000 | $ 69,000 |

## 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:

| | June 30, 2019 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 65,198 | 31.010 (USD:NTD) | $ 2,021,793 |
| Non-monetary items | | | |
| USD | 5,500 | 30.979 (USD:NTD) | $ 1,508 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 6,647 | 31.110 (USD:NTD) | $ 206,790 |
| JPY | 110,122 | 0.2906 (JPY:NTD) | 32,002 |
| | | | $ 238,792 |
| Non-monetary items | | | |
| USD | 5,300 | 30.979 (USD:NTD) | $ 1,541 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 52,069 | 30.665 (USD:NTD) | $ 1,596,699 |
| Non-monetary items | | | |
| USD | 9,100 | 30.609 (USD:NTD) | $ 625 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 6,373 | 30.765 (USD:NTD) | $ 196,075 |
| JPY | 57,375 | 0.2802 (JPY:NTD) | 16,076 |
| EUR | 14 | 35.4 (EUR:NTD) | 497 |
| | | | $ 212,648 |
| Non-monetary items | | | |
| USD | 2,400 | 30.609 (USD:NTD) | $ 232 |

| | June 30, 2018 | | |
|---|---|---|---|
| | Foreign Currencies | Exchange Rate | Carrying Amount |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 50,368 | 30.41 (USD:NTD) | $ 1,531,679 |
| Non-monetary items | | | |
| USD | 200 | 30.41 (USD:NTD) | $ 11 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 7,582 | 30.41 (USD:NTD) | $ 231,342 |
| JPY | 63,848 | 0.2774 (JPY:NTD) | 17,711 |
| EUR | 10 | 35.60 (EUR:NTD) | 364 |
| | | | $ 249,417 |
| Non-monetary items | | | |
| USD | 12,300 | 30.41 (USD:NTD) | $ 10,406 |

For the three and six months ended June 30, 2019 and 2018, realized and unrealized net foreign exchange gains were $14,582 thousand, $63,339 thousand, $20,995 thousand and $30,364 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.

## 29. 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 and six months ended June 30, 2019 and 2018 are shown in the income statements for the three months and six months ended June 30, 2019 and 2018. The segment assets as of June 30, 2019, December 31, 2018 and June 30, 2018 are shown in the balance sheets as of June 30, 2019, December 31, 2018 and June 30, 2018.

TABLE 1

# GREATEK ELECTRONICS INC.

**MARKETABLE SECURITIES HELD**
**JUNE 30, 2019**
**(In Thousands of New Taiwan Dollars)**

| 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. | Fund | | | | | | | |
| | FSITC Money Fund | - | Financial assets at fair value through profit or loss - current | 283 | $ 50,518 | - | $ 50,518 | Note 1 |
| | Bond | | | | | | | |
| | 02 Taipower 1B | - | Financial assets at amortized cost - current | 150 | 150,959 | - | 151,014 | Note 2 |
| | P04 Hon Hai4C | - | Financial assets at amortized cost - current | 100 | 100,000 | - | 100,124 | Note 2 |
| | P06 Taipower 1A | - | Financial assets at amortized cost - noncurrent | 300 | 300,001 | - | 303,554 | Note 2 |
| | P07 Taipower 1A | - | Financial assets at amortized cost - noncurrent | 200 | 200,001 | - | 199,999 | Note 2 |
| | P06 Taipower 3A | - | Financial assets at amortized cost - noncurrent | 100 | 100,000 | - | 100,657 | Note 2 |
| | P04 FENC 4 | - | Financial assets at amortized cost - noncurrent | 100 | 100,000 | - | 100,674 | Note 2 |
| | P06 FPC 1A | - | Financial assets at amortized cost - noncurrent | 100 | 100,000 | - | 100,839 | Note 2 |
| | Stock | | | | | | | |
| | Powertech Technology Inc. | Parent entity | Financial assets at fair value through other comprehensive profit or loss - noncurrent | 2,200 | 167,200 | - | 167,200 | 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 June 30, 2019.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of June 30, 2019.

Note 3: The fair value of common shares was based on stock closing price as of June 30, 2019.

Note 4: The fair value was based on the carrying value as of as of June 30, 2019.

Note 5: As of June 30, 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 SIX MONTHS ENDED JUNE 30, 2019**
**(In Thousands of New Taiwan Dollars)**

| 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 director | Sale | $ 483,192 | 9 | Net 60 days from monthly closing dates | Note | - | $ 258,386 | 9 | - |
| | Realtek Singapore private limited | Same parent company with the corporate director | Sale | 226,382 | 4 | Net 60 days from monthly closing dates | Note | - | 80,859 | 3 | - |

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**
**JUNE 30, 2019**
**(In Thousands of New Taiwan Dollars)**

| 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 director | $ 258,386 | 3.98 | $ - | - | $ 77,484 | $ - |