Greatek Electronics Inc.

Financial Statements for the Nine Months Ended September 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 September 30, 2019 and 2018 and the related statements of comprehensive income, changes in equity and cash flows for the nine-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 September 30, 2019 and 2018, and of its financial performance and its cash flows for the nine-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.

October 29, 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.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

	September 30, (Reviewed		December 31, (Audited)		September 30 (Reviewed			September 30 (Reviewee		December 31, (Audited		September 30 (Reviewed	
ASSETS	Amount	%	Amount	%	Amount	%	LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 3,048,563	16	\$ 3,043,943	16	\$ 2,659,417	14	Financial liabilities at fair value through profit or loss						
Financial assets at fair value through profit or loss - current	+ -,,		+ -,,		-,,		- current (Note 7)	\$ 343	_	\$ 232	_	\$ 297	_
(Note 7)	52,046	_	51,001	_	51,567	_	Contract liabilities - current (Note 19)	50,070	_	39,323	_	34,935	_
Financial assets at amortized cost - current (Note 9)	150,673	1	200,015	1	200,152	1	Notes payable	13,535	_	1,949	_	7,839	_
Contract assets - current (Notes 19 and 25)	598,174	3	471,025	3	438,216	2	Accounts payable	803,885	4	618,350	3	744,129	4
Notes receivable (Notes 10 and 19)	65,945	_	78,037	_	82,008	1	Payables to equipment suppliers	236,240	1	112,084	1	229,615	1
Accounts receivable (Notes 10 and 19)	2,710,795	15	2,536,481	13	2,859,471	15	Accrued compensation to employees and remuneration to	,		,		-,	
Receivables from related parties (Notes 19 and 25)	360,046	2	284,829	2	326,182	2	directors (Note 20)	499,036	3	376,524	2	594,320	3
Inventories (Note 11)	482,566	3	572,192	3	538,805	3	Current income tax liabilities	129,404	1	353,296	2	254,092	2
Prepaid expenses and other current assets (Notes 15 and 25)	179,102	1	113,557	1	117,409	<u>1</u>	Lease liabilities - current (Notes 3, 4, 5 and 13)	1,203	-	-	-	-	
							Accrued expenses and other current liabilities (Notes 16						
Total current assets	7,647,910	41	7,351,080	39	7,273,227	39	and 25)	718,785	4	867,962	5	784,355	4
NON-CURRENT ASSETS							Total current liabilities	2,452,501	13	2,369,720	_13	2,649,582	_14
Financial assets at fair value through other comprehensive													
income - non-current (Note 8)	231,080	1	145,420	1	162,435	1	NON-CURRENT LIABILITIES						
Financial assets at amortized cost - noncurrent (Note 9)	900,003	5	951,521	5	951,805	5	Deferred income tax liabilities	340	-	154	-	254	-
Property, plant and equipment (Notes 12 and 25)	9,854,545	52	10,160,233	54	10,104,147	54	Lease liabilities - noncurrent (Notes 3, 4, 5 and 13)	9,844	-	-	-	-	-
Right-of-use assets (Notes 3, 4, 5 and 13)	10,980	-	-	-	-	-	Guarantee deposits	16	-	90	-	90	-
Intangible assets (Note 14)	80,998	-	85,742	1	90,587	1	Net defined benefit liability - noncurrent (Notes 4 and 17)	231,235	1	235,532	1	215,185	1
Deferred income tax assets	30,477	-	48,503	-	37,793	-							
Other noncurrent assets (Notes 15 and 26)	81,866	1	82,061		82,061		Total non-current liabilities	241,435	1	235,776	1	215,529	1
Total non-current assets	11,189,949	_59	11,473,480	61	11,428,828	61	Total liabilities	2,693,936	14	2,605,496	14	2,865,111	<u>15</u>
							EQUITY (Notes 18 and 23)						
							Capital stock						
							Common stock	5,688,459	30	5,688,459	30	5,688,459	31
							Capital surplus	1,865	_	1,865	_	1,769	_
							Retained earnings	,		,		,	
							Legal reserve	3,072,210	17	2,834,665	15	2,834,665	15
							Special reserve	46,429	-	319	-	319	-
							Unappropriated earnings	7,328,709	39	7,740,185	41	7,320,568	39
							Other equity	6,251		(46,429)	=	(8,836)	<u> </u>
							Total equity	16,143,923	86	16,219,064	86	15,836,944	85
TOTAL	<u>\$ 18,837,859</u>	<u>100</u>	<u>\$ 18,824,560</u>	<u>100</u>	<u>\$ 18,702,055</u>	<u>100</u>	TOTAL	<u>\$ 18,837,859</u>	<u>100</u>	<u>\$ 18,824,560</u>	<u>100</u>	<u>\$ 18,702,055</u>	<u>100</u>

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

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three	Ended Septem	For the Nine Months Ended September 30						
	2019		2018		2019			18	
	Amount	%	Amount	%	Amount	%	Amount	%	
NET SALES (Notes 19 and 25)	\$3,295,778	100	\$3,269,120	100	\$8,798,119	100	\$9,515,229	100	
OPERATING COSTS (Notes 11, 17, 20 and 25)	2,485,731	<u>75</u>	2,373,335	73	6,750,938	<u>77</u>	6,854,674	<u>72</u>	
GROSS PROFIT	810,047	<u>25</u>	895,785	27	2,047,181	23	2,660,555	<u>28</u>	
OPERATING EXPENSES (Notes 17, 20 and 25) Selling and marketing									
expenses General and	12,796	-	12,127	-	34,687	-	35,392	-	
administrative Research and	51,378	2	52,342	2	160,654	2	156,060	2	
development	54,210	2	49,616	1	148,109	2	146,064	2	
Total operating expenses	118,384	4	114,085	3	343,450	4	337,516	4	
OPERATING INCOME	691,663	21	781,700	24	1,703,731	19	2,323,039	24	
NONOPERATING INCOME AND EXPENSES (Note 20) Other income Other gains and losses	36,537 1,502	1 1	20,271 	 	66,361 17,218	1	42,815 20,318	1	
Total nonoperating income and expenses	38,039	1	22,778		83,579	1	63,133	1	
INCOME BEFORE INCOME TAX	729,702	22	804,478	24	1,787,310	20	2,386,172	25	
INCOME TAX EXPENSE (Notes 4 and 21)	147,167	4	135,841	4	379,247	4	<u>451,778</u>	5	
NET INCOME	582,535	18	668,637	20	1,408,063	16	1,934,394 (Con	20 tinued)	

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
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)	30,900	1	(9,417)		52,680	1	(8,517)	-	
TOTAL COMPREHENSIVE INCOME	<u>\$ 613,435</u>	<u>19</u>	<u>\$ 659,220</u>	<u>20</u>	<u>\$1,460,743</u>	<u> 17</u>	<u>\$1,925,877</u>		
EARNINGS PER SHARE (Note 22) Basic Diluted	\$ 1.02 \$ 1.02		\$ 1.18 \$ 1.16		\$ 2.48 \$ 2.45		\$ 3.40 \$ 3.36		

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

(Concluded)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	and Out	oital Issued istanding	_			Retained Earnings		Other Equity Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other	
	Share (Thousands)	Amount	Capital S	urplus	Legal Reserve	Special Reserve	Unappropriated Earnings	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 Special reserve Cash dividends to shareholders - NT\$3.00 per share	- - -	- - -		- - -	250,863 - -	- 319 -	(250,863) (319) (1,706,538)	- - -	- - (1,706,538)
Net income for the nine months ended September 30, 2018	-	-		-	-	-	1,934,394	-	1,934,394
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	<u>-</u> _			<u>-</u>		_	<u> </u>	(8,517)	(8,517)
Total comprehensive income (loss) for the nine months ended September 30, 2018				<u>-</u>			1,934,394	(8,517)	1,925,877
BALANCE, SEPTEMBER 30, 2018	568,846	\$ 5,688,459	\$	<u>1,769</u>	\$ 2,835,665	<u>\$ 319</u>	<u>\$ 7,320,568</u>	<u>\$ (8,836)</u>	\$ 15,836,944
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 Special reserve Cash dividends to shareholders - NT\$2.70 per share	- - -	- - -		- - -	237,545	46,110 -	(237,545) (46,110) (1,535,884)	- - -	- (1,535,884)
Net income for the nine months ended September 30, 2019	-	-		-	-	-	1,408,063	-	1,408,063
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax				<u>-</u>			-	52,680	52,680
Total comprehensive income (loss) for the nine months ended September 30, 2019				<u>-</u>			1,408,063	52,680	1,460,743
BALANCE, SEPTEMBER 30, 2019	568,846	<u>\$ 5,688,459</u>	\$	<u>1,865</u>	<u>\$ 3,072,210</u>	<u>\$ 46,429</u>	\$ 7,328,709	<u>\$ 6,251</u>	<u>\$ 16,143,923</u>

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

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2019	2018	
CASH FLOWS FROM OPERATING ACTIVITIES			
Current income before income tax	\$ 1,787,310	\$ 2,386,172	
Adjustments to reconcile income before income tax to net cash	, , ,	, ,	
provided by operating activities:			
Depreciation	1,822,400	1,660,069	
Amortization	18,701	15,293	
Impairment losses recognized on receivables	21,400	-	
Net (gain) loss on fair value change of financial instruments			
designated as at fair value through profit or loss	(934)	804	
Finance costs	146	-	
Premium amortization of financial assets at amortized cost	861	1,349	
Interest revenue	(31,168)	(25,366)	
Dividend revenue	(10,560)	(8,100)	
Net gain on disposal of property, plant and equipment	(72)	(105)	
Expenses from property, plant and equipment	4	21	
Provision (reversal) of inventory valuation and obsolescence losses	1,014	(3,272)	
Net gain on foreign currency exchange	(3,340)	(17,539)	
Changes in operating assets and liabilities:			
(Increase) decrease in contract assets	(127,149)	73,736	
Decrease (increase) in notes receivable	12,092	(5,988)	
Increase in accounts receivable	(200,633)	(365,659)	
(Increase) decrease in accounts receivable from related parties	(75,217)	37,500	
Decrease (increase) in inventories	88,612	(69,653)	
Decrease (increase) in prepaid expenses and other current assets	33,523	(16,215)	
Increase (decrease) in contract liabilities	10,747	(2,621)	
Increase in notes payable	11,586	5,598	
Increase in accounts payable	187,606	62,225	
Increase in accrued compensation to employees and remuneration			
to directors	122,512	187,980	
Decrease in accrued expenses and other accounts payable	(149,177)	(82,319)	
Decrease in net defined benefit liability	(4,297)	(3,422)	
Net cash provided by operating activities	3,515,967	3,830,488	
Interest received	32,100	26,331	
Interest paid	(146)	-	
Income tax paid	(584,927)	(483,668)	
Net cash provided by operating activities	2,962,994	3,373,151	
		(Continued)	

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2019	2018	
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of financial assets at fair value through other comprehensive			
income	\$ (32,980)	\$ (12,552)	
Purchase of financial assets at amortized cost Proceeds from financial assets at amortized cost	(100,001)	(200,001)	
Acquisition of property, plant and equipment	100,000 (1,390,702)	200,000 (2,325,476)	
Proceeds from disposal of property, plant and equipment	(1,390,702)	105	
Decrease in refundable deposits	195	195	
Increase in intangible assets	(13,957)	(26,892)	
Dividend received	10,560	8,100	
Net cash used in investing activities	(1,426,599)	(2,356,521)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in guarantee deposits	(74)	-	
Repayment of the principal portion of lease liabilities Cash dividends distributed	(889) (1,535,884)	(1,706,538)	
Net cash used in financing activities	(1,536,847)	(1,706,538)	
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	5,072	5,462	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,620	(684,446)	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,043,943	3,343,863	
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,048,563</u>	<u>\$ 2,659,417</u>	
		(0 111)	
The accompanying notes are an integral part of the financial statements.		(Concluded)	

NOTES TO FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

Powertech Technology Inc. (PTI) acquired Greatek's 44.09% ownership, pursuant to Greatek's board approval on December 21, 2011. On the reelection of the directors and supervisors of Greatek, PTI holds a majority of the directors seats and become parent. PTI has 42.91% ownership of Greatek as of September 30, 2019 and 2018.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on October 29, 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	<u>\$ 13,045</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 11,936</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 11,936</u>

The Corporation as lessor

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

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

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

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

3) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business" Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 1) January 1, 2020 (Note 2)

- Note 1: 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 2: 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets	To be determined by IASB
between an Investor and its Associate or Joint Venture" IFRS 17 "Insurance Contracts"	January 1, 2021

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
- 1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Other significant accounting policies

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

1) Leases

2019

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

a) The Corporation as lessor

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

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

b) The Corporation as lessee

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

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

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

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

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

2018

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

a) The Corporation as lessor

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

b) The Corporation as lessee

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

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

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

2) Retirement benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

a. Lease terms - 2019

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

b. Lessees' incremental borrowing rates

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

6. CASH AND CASH EQUIVALENTS

	September 30,	December 31,	September 30,
	2019	2018	2018
Bank deposits	\$ 3,048,563	<u>\$ 3,043,943</u>	<u>\$ 2,659,417</u>

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

	September 30,	December 31,	September 30,	
	2019	2018	2018	
Bank deposits	0.13%-2.10%	0.13%-2.48%	0.10%-1.09%	

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at FVTPL - current			
Financial assets held for trading - current Non-derivative financial assets Mutual funds Derivative financial assets (not under hedge accounting)	\$ 50,584	\$ 50,376	\$ 50,319
Foreign exchange forward contracts	1,462	<u>625</u>	1,248
	<u>\$ 52,046</u>	<u>\$ 51,001</u>	<u>\$ 51,567</u>
Financial liabilities at FVTPL - current			
Financial liabilities held for trading - current Derivative financial liabilities (not under hedge accounting)	¢ 242	Ф 222	¢ 207
Foreign exchange forward contracts	<u>\$ 343</u>	<u>\$ 232</u>	<u>\$ 297</u>

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

	Currency	Maturity Date	Contract Amounts (In Thousands)
<u>September 30, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.10.19-2019.12.13	USD10,900 / NTD338,262
<u>December 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2019.01.10-2019.03.13	USD11,500 / NTD352,391
<u>September 30, 2018</u>			
Sell forward exchange contracts	USD to NTD	2018.10.11-2018.12.13	USD12,100 / NTD369,375

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

	September 30, 2019	December 31, 2018	September 30, 2018
Non-current			
Domestic investments Listed shares Ordinary shares - Powertech Technology Inc.	\$ 231,08 <u>0</u>	<u>\$ 145,420</u>	\$ 162,43 <u>5</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Domestic investments Corporate bonds - 02 Taiwan Power Company 1B Bond Corporate bonds - 01 TSMC 1B Bond Corporate bonds - P04 Hon Hai 4C Bond	\$ 150,673 - - \$ 150,673	\$ - 100,015 100,000 \$ 200,015	\$ - 100,152 100,000 \$ 200,152
Noncurrent			
Domestic investments Corporate bonds - P06 Taiwan Power			
Company 1A Bond Corporate bonds - P07 Taiwan Power	\$ 300,001	\$ 300,001	\$ 300,001
Company 1A Bond Corporate bonds - P08 Taiwan Power	200,001	200,001	200,001
Company 3A Bond Corporate bonds - P06 Taiwan Power	100,001	-	-
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 Corporate bonds - 02 Taiwan Power Company	100,000	100,000	100,000
1B Bond	-	151,518	152,802
	<u>\$ 900,003</u>	<u>\$ 951,521</u>	<u>\$ 951,805</u>

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.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value \$100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of \$50,000 thousand, respectively.

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

10. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30,	December 31,	September 30,
	2019	2018	2018
Notes receivable - operating	<u>\$ 65,945</u>	\$ 78,037	<u>\$ 82,008</u>
Accounts receivable Less: Allowance for impairment loss	\$ 2,765,675	\$ 2,569,961	\$ 2,892,951
	(54,880)	(33,480)	(33,480)
	<u>\$ 2,710,795</u>	<u>\$ 2,536,481</u>	<u>\$ 2,859,471</u>

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

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

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

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

September 30, 2019

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount Loss allowance (Lifetime ECL)	\$ 2,672,135 (9,999)	\$ 22,179 (12,421)	\$ 5,959 (5,518)	\$ 8,706 (6,216)	\$ 56,696 (20,726)	\$ 2,765,675 (54,880)
Amortized cost	\$ 2,662,136	<u>\$ 9,758</u>	<u>\$ 441</u>	\$ 2,490	\$ 35,970	<u>\$ 2,710,795</u>
<u>December 31, 2018</u>						
	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount Loss allowance (Lifetime ECL)	\$ 2,322,265 (6,133)	\$ 184,362 (15,943)	\$ 53,792 (4,093)	\$ 3,523 (3,428)	\$ 6,019 (3,883)	\$ 2,569,961 (33,480)
Amortized cost	<u>\$ 2,316,132</u>	<u>\$ 168,419</u>	<u>\$ 49,699</u>	<u>\$ 95</u>	<u>\$ 2,136</u>	<u>\$ 2,536,481</u>
<u>September 30, 2018</u>						
	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Gross carrying amount Loss allowance (Lifetime ECL)	\$ 2,792,784 (7,115)	\$ 89,138 (15,336)	\$ 5,986 (5,986)	\$ 2,990 (2,990)	\$ 2,053 (2,053)	\$ 2,892,951 (33,480)
Amortized cost	<u>\$ 2,785,669</u>	\$ 73,802	<u>\$</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ 2,859,471</u>

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

	For the Nine Months Ended September 30		
	2019	2018	
Balance at January 1	\$ 33,480	\$ 33,480	
Add: Net measurement of loss allowance	<u>21,400</u>		
Balance at September 30	<u>\$ 54,880</u>	<u>\$ 33,480</u>	

11. INVENTORIES

	September 30,	December 31,	September 30,
	2019	2018	2018
Raw materials	\$ 421,022	\$ 503,712	\$ 467,739
Supplies	61,544	68,480	<u>71,066</u>
	<u>\$ 482,566</u>	\$ 572,192	<u>\$ 538,805</u>

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

	For the Three I Septem		For the Nine Months Ende September 30		
	2019	2019 2018		2018	
(Reversal) provision of inventory valuation and obsolescence					
losses	<u>\$ (909)</u>	<u>\$ 3,839</u>	<u>\$ 1,014</u>	<u>\$ (3,272)</u>	
Unallocated overheads	\$ 32,700	\$ 61,596	\$ 196,149	\$ 222,805	
Sales of scrapes	\$ (13,266)	<u>\$ (14,468)</u>	\$ (34,736)	\$ (42,697)	
Operating Costs	\$ 2,485,731	\$ 2,373,335	\$ 6,750,938	\$ 6,854,674	

12. PROPERTY, PLANT AND EQUIPMENT

				For the 1	Nine Months En	ded September :	30, 2018			
<u>Cost</u>	Land	Building	Machinery and Equipment	Trans portation Equi pment	Office Equi pment	Other Equi pment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period Additions Disposals Reclassified Balance, end of period	\$ 1,192,232 3,203 - - - - - - - - - - - - - - - - - - -	\$ 3,336,497 206,827 - 203,528 3,746,852	\$ 12,975,317 1,288,934 - 490,279 14,754,530	\$ 11,822 3,925 (1,140) 1,778 16,385	\$ 59,334 8,924 - - 552 - - - - - - - - - - - - - - - -	\$ 367,399 38,887 	\$ 570,760 599,821 (513,583) 656,998	\$ 203,528 - - (203,528)	\$ 106,326 274,244 (246,736) 	\$ 18,823,215 2,424,765 (247,876) (7,929) 20,992,175
Balance, beginning of period Depreciation expense Disposals Balance, end of period Net book value, beginning of		1,238,917 179,344 	7,999,846 1,186,591 9,186,437	8,691 844 (1,140) 8,395	26,044 7,486 33,530	202,337 39,068 	: :		246,736 (246,736)	9,475,835 1,660,069 (247,876) 10,888,028
period Net book value, end of period	\$ 1,192,232 \$ 1,195,435	\$ 2,097,580 \$ 2,328,591	\$ 4,975,471 \$ 5,568,093	\$ 3,131 \$ 7,990	\$ 33,290 \$ 35,280	\$ 165,062 \$ 177,926	\$ 570,760 \$ 656,998	\$ 203,528 \$ -	\$ 106,326 \$ 133,834	\$ 9,347,380 \$ 10,104,147
Cost	Land	Building	Machinery and Equipment	For the I	Nine Months En Office Equipment	Other Equipment	Equipment under Installation	Construction in Progress	Spare Parts	Total
Balance, beginning of period Additions Disposals Reclassified Balance, end of period	\$ 1,195,435 121,366 	\$ 3,748,774 41,736 - 12,195 3,802,705	\$ 15,303,709 502,899 (4,240) 599,775 16,402,143	\$ 14,534 190 - - 1,990 16,714	\$ 69,524 6,529 - - - - - - - - - - - - - - - - - - -	\$ 440,842 12,050 (280) 452,612	\$ 639,810 545,114 - (601,769) 583,155	\$ 12,195 - - - (12,195)	\$ 131,281 286,090 (273,019)	\$ 21,556,104 1,515,974 (277,539) (4) 22,794,535
Accumulated deprecation										
Balance, beginning of period		1,486,687	9,610,713	6,971	36,236	255,264	-	-	-	11,395,871
Depreciation expense Disposals Balance, end of period		196,148	1,302,227 (4,240) 10,908,700	1,512 8.483	8,324 - 44,560	40,214 (66) 295,412			273,019 (273.019)	1,821,444 (277,325) 12,939,990

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

T	• •	•	
Иı	11	11	ıgs
1)	111		125

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

September 30, 2019

Carrying amounts

Machinery and Equipment \$ 10,980

For the Three	For the Six
Months Ended	Months Ended
September 30,	September 30,
2019	2019

Depreciation charge for right-of-use assets

Machinery and Equipment \$\\$319\$ \$\\$956

b. Lease liabilities - 2019

September 30, 2019

Carrying amounts

 Current
 \$ 1,203

 Non-current
 \$ 9,844

Range of discount rate for lease liabilities was as follows:

September 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 Nine Months Ended September 30, 2018 Computer
	Software
Cost	
Balance, beginning of period Additions Reclassified Disposals Balance, end of period	\$ 99,148 26,892 4,220 (2,550) 127,710
Accumulated amortization	
Balance, beginning of period Additions Disposals Balance, end of period	24,380 15,293 (2,550) 37,123
Net book value, beginning of period	<u>\$ 74,768</u>
Net book value, end of period	<u>\$ 90,587</u>
	For the Nine Months Ended
	September 30, 2019
	September 30,
Cost	September 30, 2019 Computer
Cost Balance, beginning of period Additions Disposals Balance, end of period	September 30, 2019 Computer
Balance, beginning of period Additions Disposals	September 30, 2019 Computer Software \$128,947 13,957 (6,078)
Balance, beginning of period Additions Disposals Balance, end of period	September 30, 2019 Computer Software \$128,947 13,957 (6,078)
Balance, beginning of period Additions Disposals Balance, end of period Accumulated amortization Balance, beginning of period Additions Disposals	\$128,947 13,957 (6,078) 136,826
Balance, beginning of period Additions Disposals Balance, end of period Accumulated amortization Balance, beginning of period Additions Disposals Balance, end of period	\$128,947 13,957 (6,078) 136,826

15. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Proceeds from financial assets at amortized cost	\$ 100,000	\$ -	\$ -
Inventory of supplies Tax overpaid	21,462 17,711	20,427 21,485	20,988 3,626
Other receivables	17,573	22,888	23,940
Interest receivable	7,214	8,146	7,920
Payment on behalf of others	6,527	2,497	6,484
Tax refund receivables	-	30,495	45,182
Others (a)	<u>8,615</u>	7,619	9,269
	<u>\$ 179,102</u>	<u>\$ 113,557</u>	<u>\$ 117,409</u>
Non-current			
Pledged deposits (b)	\$ 75,000	\$ 75,000	\$ 75,000
Refundable deposits	<u>6,866</u>	7,061	7,061
	<u>\$ 81,866</u>	<u>\$ 82,061</u>	<u>\$ 82,061</u>

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

16. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018	
Current				
Accrued expenses				
Bonus	\$ 367,742	\$ 453,622	\$ 364,331	
Indemnification payable	53,633	99,321	38,927	
Labor and health insurance	36,135	47,295	36,506	
Utilities	36,104	27,543	34,916	
Others (a)	186,924	210,094	256,606	
. ,	680,538	837,875	731,286	
Other current liabilities				
Behalf of the collection	33,656	24,110	48,613	
Temporary receipts	4,591	5,977	,4,456	
	38,247	30,087	53,069	
	<u>\$ 718,785</u>	<u>\$ 867,962</u>	<u>\$ 784,355</u>	

a. Other accrued expenses include accrued benefit retirement, services, spare parts, and utilization of the foreign employment security.

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

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 \$23,455 thousand, \$24,645 thousand, \$71,061 thousand and \$72,547 thousand for the three months and nine months ended September 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 nine 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, \$958 thousand, \$2,565 thousand and \$2,872 thousand for the three months and nine months ended September 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

	September 30,	December 31,	September 30,
	2019	2018	2018
Numbers of shares authorized (in thousands) Shares authorized Number of shares issued and fully paid (in	600,000	600,000	600,000
	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
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

	September 30, 2019	December 31, 2018	September 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		
	<u>\$ 1,865</u>	<u>\$ 1,865</u>	<u>\$ 1,769</u>		

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

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 7, 2016 and, in that meeting, had resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, 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 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 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			Dividends Per Share (\$)			
	For Year 2018	For Year 2017	For Year 2018	For Year 2017			
Legal reserve Special reserve Cash dividends	\$ 237,545 46,110 1,535,884	\$ 250,863 319 1,706,538	\$ - 2.75	\$ - 3.00			
	<u>\$ 1,819,539</u>	<u>\$ 1,957,720</u>					

d. Special reserve

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018	
Balance at January 1 Appropriation in respect of Debit to other equity items	\$ 319 <u>46,110</u>	\$ - <u>319</u>	
Balance at September 30	<u>\$ 46,429</u>	<u>\$ 319</u>	

e. Other equity items

Unrealized gain (loss) on financial assets at FVTOCI

	For the Nine Months Ended September 30		
	2019	2018	
Balance at January 1 Add: Net measurement of loss allowance (a)	\$ (46,429) <u>52,680</u>	\$ (319) <u>(8,517)</u>	
Balance at September 30	<u>\$ 6,251</u>	<u>\$ (8,836)</u>	

19. REVENUE

a. Contract information

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2019	2019 2018		2018	
Revenue from contracts with customers Revenue from assembly					
service Revenue from testing service	\$ 2,815,624 480,154	\$ 2,787,280 481,840	\$ 7,449,588 	\$ 8,140,080 	
	<u>\$ 3,295,778</u>	\$ 3,269,120	<u>\$ 8,798,119</u>	\$ 9,515,229	

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

	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Notes and accounts receivables (included related parties) (Note 10)	<u>\$ 3,136,786</u>	<u>\$ 2,899,347</u>	<u>\$ 3,267,661</u>	<u>\$ 2,921,347</u>
Contract assets-current Revenue from services Less: Allowance for impairment loss	\$ 598,174 	\$ 471,025	\$ 438,216	\$ 511,952
-	<u>\$ 298,174</u>	<u>\$ 471,025</u>	<u>\$ 438,216</u>	<u>\$ 511,952</u>
Contract liabilities- current Revenue from services	<u>\$ 50,070</u>	<u>\$ 39,323</u>	<u>\$ 34,935</u>	<u>\$ 37.556</u>

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

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

	For	For the Three Months Ended September 30			For the Nine Months Ended September 30			
		2019 2018			2019		2018	
From the beginning contract liability								
Revenue from services	\$	3,181	\$	2,302	\$	22,749	\$	20,037

c. Disaggregation of revenue

		Months Ended nber 30	For the Nine Months Ended September 30			
	2019	2019 2018		2018		
Primary geographical markets						
Taiwan (The location of the						
Corporation)	\$ 2,505,929	\$ 2,358,921	\$ 6,709,261	\$ 6,985,089		
Europe	340,259	440,962	767,692	1,188,440		
Asia	204,162	175,316	644,451	488,866		
America	245,428	293,863	676,699	852,577		
Africa		58	16	257		
	\$ 3,295,778	\$ 3,269,120	<u>\$ 8,798,119</u>	\$ 9,515,229		

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

		ee Months Ended ember 30		Months Ended aber 30
	2019	2018	2019	2018
Rental income				
Operating lease rental				
income	\$ -	\$ 106	\$ 4	\$ 317
Interest income				
Bank deposits	8,881	6,648	23,517	15,971
Financial assets measured at				
amortized cost	2,578	2,781	7,619	8,516
Repurchase agreements				
collateralized by bonds	21	1	32	879
Dividend revenue	10,560	8,100	10,560	8,100
Others	<u>14,497</u>	<u>2,635</u>	24,629	9,032
	<u>\$ 36,537</u>	<u>\$ 20,271</u>	<u>\$ 66,361</u>	<u>\$ 42,815</u>

b. Other gains and losses

	For the Three I Septem		For the Nine Months Ender September 30			
	2019	2019 2018 2019		2018		
Net loss on foreign currency exchange Net gain arising on financial instruments classified as held	\$ 3,192	\$ 5,636	\$ 24,187	\$ 36,000		
for trading Others	(1,215) (47) (428)	(1,828) - (1,301)	(6,117) (146) (706)	(13,675) - (2,007)		
	<u>\$ 1,502</u>	\$ 2,507	\$ 17,218	\$ 20,318		

c. Depreciation and amortization

	For the Three Months Ended September 30			For the Nine Months Ended September 30				
		2019		2018		2019		2018
An analysis of depreciation by function								
Operating costs Operating expense	\$	606,430 9,401	\$	574,914 9,203	\$	1,795,165 27,235	\$	1,630,474 29,595
	<u>\$</u>	615,831	<u>\$</u>	584,117	<u>\$</u>	1,822,400	<u>\$</u>	1,660,069
An analysis of amortization by function Operating costs	\$	4,247	\$	3,535	\$	11,920	\$	10,233
Selling and marketing expenses General and administrative Research and development		842 1,288		1,393 300		2,974 3,807		4,168 892
······································	<u>\$</u>	6,377	<u>\$</u>	5,228	<u>\$</u>	18,701	<u>\$</u>	15,293
d. Employee benefits expense								
	Fo	r the Three Septen			Fo	or the Nine I Septen		
		2019		2018		2019		2018
Post-employment benefits Defined contribution plans Defined benefit plans (see Note 17)	\$	23,455 <u>855</u>	\$	24,645 958	\$	71,061 2,565	\$	72,547 2,872
Other employee benefits		24,310 788,571		25,603 790,434		73,626 2,164,998		75,419 2,303,792
Total employee benefits expense	<u>\$</u>	812,881	<u>\$</u>	816,037	<u>\$</u>	<u>2,238,624</u>	<u>\$</u>	<u>2,379,211</u>
An analysis of employee benefits expense by function Operating costs Operating expenses	\$ 	723,177 89,704 812,881	\$ 	732,187 83,850 816,037		2,000,083 238,541 2,238,624	\$ 	2,133,179 246,032 2,379,211

e. Employees' compensation and remuneration to directors

The Corporation stipulate to distribute employees' compensation and remuneration of directors 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. For the three months and nine months ended September 30, 2019 and 2018, the employees' compensation and the remuneration of directors were as follows:

Accrual rate

	For the Nine Months Ended September 30				
	2019	2018			
Employees' compensation Remuneration of directors	10% 2%	10% 2%			

Amount

	For the Three	Months Ended	For the Nine Months Ended		
	Septen	aber 30	September 30		
	2019	2018	2019	2018	
Employees' compensation	\$ 82,340	\$ 88,941	\$ 197,053	\$ 259,818	
Remuneration to directors	\$ 16,468	\$ 17,787	\$ 39,411	\$ 51,963	

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 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 Remuneration of directors	\$ 313,770 62,754	\$		-	\$	338,617 67,723	\$		-

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

Information on the employees' compensation and remuneration of directors 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 I Septem		For the Nine Months Ended September 30			
	2019	2018	2019	2018		
Foreign exchange gains	\$ 24,473 (21,281)	\$ 13,162 (7,526)	\$ 54,582 (30,395)	\$ 90,912 (54,912)		
Foreign exchange losses	\$ 3.192	\$ 5.636	\$ 24.187	\$ 36,000		

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

		Months Ended aber 30	For the Nine Months Ended September 30		
	2019	2018	2019	2018	
Current tax					
In respect of the current					
period	\$ 145,602	\$ 131,866	\$ 345,411	\$ 384,534	
Income tax on					
unappropriated earnings	-	-	26,724	53,001	
Adjustments for prior periods	-	-	(11,100)	4,907	
Deferred tax					
In respect of the current					
period	1,565	3,975	18,212	17,608	
Adjustments to deferred tax					
attributable to changes in					
tax rates and laws	<u>-</u>	<u>-</u>	<u>-</u>	(8,272)	
Income tax expense recognized					
in profit or loss	<u>\$ 147,167</u>	<u>\$ 135,841</u>	<u>\$ 379,247</u>	<u>\$ 451,778</u>	

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. 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

		Months Ended aber 30	For the Nine Months Ended September 30		
	2019	2018	2019	2018	
Basic earnings per share Diluted earnings per share	\$\frac{\\$ 1.02}{\\$ 1.02}	\$ 1.18 \$ 1.16	\$ 2.48 \$ 2.45	\$ 3.40 \$ 3.36	

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 September 30			For the Nine Months Ended September 30				
		2019 2018		2019		2018		
Net profit attributable to owners of the Corporation Effect to dilutive potential ordinary shares:	\$	582,535	\$	668,637	\$	1,408,063	\$	1,934,394
Employees' compensation		<u>-</u>		<u> </u>		<u>-</u>	_	
Net profit in computation of diluted earnings per share	<u>\$</u>	582,535	<u>\$</u>	668,637	<u>\$</u>	1,408,063	<u>\$</u>	1,934,394

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

	For the Three N Septeml		For the Nine Months Ended September 30		
	2019	2019 2018		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	4,588	5,155	6,120	6,692	
Weighted average number of ordinary shares outstanding in computation of dilutive earnings					
per share	<u>573,434</u>	574,001	<u>574,966</u>	<u>575,538</u>	

If the Corporation was able to settle the compensation paid to employees by cash or shares, the Corporation presumed that 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, if the shares had a dilutive effect. 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

Corrying

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.

Fair Value

September 30, 2019

	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost Domestic corporate bonds	\$ 1,050,676	\$ -	\$ 1,055,574	\$ -	\$ 1,055,574
<u>December 31, 2018</u>					
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Held-to-maturity investments	\$ 1,151,536	\$ -	\$ 1,156,991	\$ -	\$ 1,156,991
<u>September 30, 2018</u>					
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets					
Held-to-maturity investments	\$ 1,151,957	\$ -	\$ 1,158,858	\$ -	\$ 1,158,858

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

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Mutual funds Forward exchange	\$ 50,584	\$ -	\$ -	\$ 50,584
contracts		1,462	-	1,462
	<u>\$ 50,584</u>	<u>\$ 1,462</u>	<u>\$ -</u>	<u>\$ 52,046</u>
Financial assets at FVTOCI Investments in equity instruments Domestic Listed shares	<u>\$ 231,080</u>	<u>\$</u>	<u>\$</u>	<u>\$ 231,080</u>
Financial liabilities at FVTPL Forward exchange contracts	<u>\$</u>	<u>\$ 343</u>	<u>\$</u>	<u>\$ 343</u>
<u>December 31, 2018</u>				
<u>December 31, 2018</u>	Level 1	Level 2	Level 3	Total
December 31, 2018 Financial assets at FVTPL Mutual funds Forward exchange contracts	Level 1 \$ 50,376	Level 2 \$ -	Level 3 \$ -	Total \$ 50,376
Financial assets at FVTPL Mutual funds Forward exchange		\$ -		\$ 50,376
Financial assets at FVTPL Mutual funds Forward exchange	\$ 50,376	\$ - <u>625</u>	\$ - 	\$ 50,376 <u>625</u>
Financial assets at FVTPL Mutual funds Forward exchange contracts Available-for-sale financial assets Securities listed in ROC	\$ 50,376 <u>-</u> \$ 50,376	\$ - 625 \$ 625	\$ - <u>-</u> \$ -	\$ 50,376 625 \$ 51,001

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Mutual funds Forward exchange	\$ 50,319	\$ -	\$ -	\$ 50,319
contracts		1,248		1,248
	\$ 50,319	<u>\$ 1,248</u>	<u>\$</u>	<u>\$ 51,567</u>
Available-for-sale financial assets Securities listed in ROC Equity securities	<u>\$ 162,435</u>	<u>\$</u>	<u>\$</u>	<u>\$ 163,435</u>
Financial liabilities at FVTPL Forward exchange contracts	<u>\$</u>	<u>\$ 297</u>	<u>\$</u>	<u>\$ 297</u>

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

Financial Instruments

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

Valuation Techniques and Inputs

Derivatives - foreign currency forward co	ntracts Discounte	Discounted cash flow.			
	observa of the r rates, d	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	September 30, 2019	December 31, 2018	September 30, 2018		
Financial assets					
Fair value through profit or loss (FVTPL) Held for trading Financial assets at amortized cost (Note 1) Financial assets at FVTOCI Equity instruments	\$ 52,046 7,435,812 231,080	\$ 51,001 7,200,860 145,420	\$ 51,567 7,185,895 162,435		
Financial liabilities					
Fair value through profit or loss (FVTPL) Held for trading Amortized cost (Note 2)	343 1,207,625	232 904,472	297 1,190,199		

- 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 53% and 53% of the Corporation's sales were denominated in currencies other than the functional currency of the Corporation entity making the sale, whilst almost 16% and 14% of costs were denominated in the Corporation entity's functional currency for the nine months ended September 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.

Sensitivity analysis

The Corporation was mainly exposed to the currency USD. The sensitivity analysis included currency USD denominated monetary items at the end of the reporting period. For a 1% strengthening and weakening of New Taiwan dollars against US dollars, the Corporation's pre-tax profit for the nine months ended September 30, 2019 and 2018 would decrease/increase by \$15,666 thousand and \$14,694 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.

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk Financial assets Coch flow interest rate risk	\$ 2,941,278	\$ 2,970,351	\$ 2,488,220
Cash flow interest rate risk Financial assets	182,285	148,592	246,197

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 nine months ended September 30, 2019 and 2018 would increase/decrease by \$684 thousand and \$923 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 nine months ended September 30, 2019 and 2018 would increase/decrease by \$506 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 nine months ended September 30, 2019 and 2018 would increase/decrease by \$2,311 thousand and \$1,624 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.

September 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 Lease liabilities	\$ 817,420 345	\$ 34	- \$	- 690	\$	5,430	\$	5,200
Payables to equipment	343	34.	,	070		3,430		3,200
suppliers	236,240		-	_		_		_
Other payables	153,965		<u> </u>					
	<u>\$ 1,207,970</u>	<u>\$ 34:</u>	<u>\$</u>	690	\$	5,430	\$	5,200

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Yea	rs	5-10 Year	s 10-1	15 Years	15-20	Years	20+ Yea	ırs
Lease liabilities	<u>\$ 1,380</u>	\$ 5,4	<u>130</u>	\$ 3,72	<u>s</u>	1,480	\$	<u></u>	\$	=
December 31, 2018										
	or l	Demand Less than Month	3-6 M	Ionths	6 Mont		1-5 Ye	ars	5+ Year	:s
Non-derivative financial liabilities										
Notes and accounts payable Payables to equipment suppliers Other payables	e \$ 	620,299 112,084 172,089 904,472	\$ \$	- - - -	\$ 	- - 	\$ \$	- - 	\$ \$	- - <u>-</u>
<u>September 30, 2018</u>										
	or l	Demand Less than Month	3-6 M	lonths	6 Mont		1-5 Ye	ars	5+ Year	:s
Non-derivative financial liabilities										
Notes and accounts payable Payables to equipment suppliers Other payables	le \$	751,968 229,615 208,616	\$	- - -	\$	- - -	\$	- - <u>-</u>	\$	- - <u>-</u>
	<u>\$</u>	1,190,199	\$		\$	<u></u>	\$	<u>=</u>	\$	<u>=</u>

b) Liquidity of derivative financial liabilities

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

September 30, 2019

	On Demand or Less than 3 Month 3-6 Months		6 Months to 1 Year 1-5 Years		ears	5+ Years		
Gross settled								
Forward exchange contracts Inflows Outflows	\$ 338,262 (337,791)	\$	- -	\$ - -	\$	 	\$	- -
	<u>\$ 471</u>	\$	<u>_</u>	\$ <u> </u>	\$	<u>-</u>	<u>\$</u>	

December 31, 2018

	On Demand or Less than 3 Month	3-6 Months	6 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Forward exchange contracts Inflows Outflows	\$ 352,391 (352,648)	\$ -	\$ - -	\$ - -	\$ - -
	<u>\$ (257)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>September 30, 2018</u>					
	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 Outflows	\$ 369,375 (368,748)	\$ -	\$ - -	\$ - -	\$ - -
	<u>\$ 627</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

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

b. Sales of goods

	Related Parties	For the Three I Septem		For the Nine Months Ended September 30			
Account Items	Types	2019	2018	2019	2018		
Sales of goods	Other related parties Parent entity	\$ 302,160 5,804	\$ 285,732 14,204	\$ 1,011,734 35,443	\$ 890,170 61,925		
		\$ 307,964	\$ 299,936	<u>\$ 1,047,177</u>	<u>\$ 952,095</u>		

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

c. Contract assets

Related Parties Types	September 30,	December 31,	September 30,
	2019	2018	2018
Other related parties Parent entity	\$ 52,279	\$ 32,908	\$ 38,809
	<u>256</u>	112	410
	<u>\$ 52,535</u>	<u>\$ 33,020</u>	<u>\$ 39,219</u>

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

d. Manufacturing expenses

		Months Ended aber 30	For the Nine Months Ender September 30			
Related Parties Types	2019	2018	2019	2018		
Fellow subsidiaries	<u>\$ 72</u>	<u>\$ 39,074</u>	<u>\$ 337</u>	<u>\$ 79,400</u>		

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

e. Operating expenses

	For t	he Three Septen	Months aber 30	Ended	For	For the Nine Months Ended September 30			
Related Parties Types Parent entity Fellow subsidiaries	20	019	2018		2019		2018		
	\$	325	\$	300 161	\$	600 76	\$	1,300 161	
	\$	325	\$	461	<u>\$</u>	<u>676</u>	<u>\$</u>	<u>1,461</u>	

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	Sep	tember 30, 2019	Dec	eember 31, 2018	Sept	tember 30, 2018
Trade receivables from related parties	Other related parties Parent entity	\$	347,945 12,101	\$	267,620 17,209	\$	309,759 16,423
		<u>\$</u>	360,046	<u>\$</u>	284,829	<u>\$</u>	326,182

g. Other receivables

Account Items	Related Parties Types	-	ember 30, 2019		mber 31, 2018	-	ember 30, 2018
Prepaid expense and other current assets	Parent entity Other related parties	\$	5,149 1,847	\$	9,367 249	\$	16,784 924
		<u>\$</u>	6,996	<u>\$</u>	9,616	<u>\$</u>	17,708
h. Accrued expenses a	and other current liabilities						
Account Items	Related Parties Types	-	ember 30, 2019		mber 31, 2018	-	ember 30, 2018
Accrued expenses and other current liabilities	Parent entity Fellow subsidiaries	\$	452 76	\$	829 7,301	\$	709 40,475
		\$	528	\$	8,130	\$	41,184

i. Acquisitions of property, plant and equipment

	For the Three Septem		For the Nine Months Endo September 30		
Related Parties Types	2019	2018	2019	2018	
Fellow subsidiaries	<u>\$ -</u>	<u>\$ -</u>	\$	<u>\$ 7,200</u>	

j. Compensation of key management personnel

		Months Ended nber 30	For the Nine Months Ended September 30			
	2019	2018	2019	2018		
Short-term benefits	<u>\$ 23,184</u>	<u>\$ 22,666</u>	<u>\$ 58,712</u>	<u>\$ 70,487</u>		

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

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2019	December 31, 2018	September 30, 2018
Pledge deposits (classified as other asset -			
noncurrent)	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>

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

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

	September 30, 2019					
	Foreign Currencies	Exchange Rate	Carrying Amount			
Financial assets						
Monetary items USD JPY	\$ 60,007 26,000	30.990 (USD:NTD) 0.2858 (JPY:NTD)	1,859,602 7,431 \$ 1,867,033			
Non-monetary items USD	5,500	30.931 (USD:NTD)	<u>\$ 1,462</u>			
Financial liabilities						
Monetary items USD JPY EUR	9,423 129,631 90	31.090 (USD:NTD) 0.2898 (JPY:NTD) 34.150 (EUR:NTD)	\$ 292,967 37,567 3,063 \$ 333,597			
Non-monetary items USD	5,400	30.931 (USD:NTD)	<u>\$ 343</u>			
		December 31, 2018				
	Foreign Currencies	Exchange Rate	Carrying Amount			
Financial assets						
Monetary items USD	\$ 52,069	30.665 (USD:NTD)	<u>\$ 1,596,699</u>			
Non-monetary items USD	9,100	30.609 (USD:NTD)	<u>\$ 625</u>			
Financial liabilities						
Monetary items USD JPY EUR	6,373 57,375 14	30.765 (USD:NTD) 0.2802 (JPY:NTD) 35.400 (EUR:NTD)	\$ 196,075 16,076 497			
Non-monetary items USD	2,400	30.609 (USD:NTD)	\$ 212,648 \$ 232			

		September 30, 2018	
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items USD	\$ 55,732	30.475 (USD:NTD)	<u>\$ 1,698,438</u>
Non-monetary items USD	8,300	30.448 (USD:NTD)	<u>\$ 1,248</u>
Financial liabilities			
Monetary items USD JPY EUR	7,492 62,777 7	30.575 (USD:NTD) 0.2712 (JPY:NTD) 35.68 (EUR:NTD)	\$ 229,080 17,025 265
			<u>\$ 246,370</u>
Non-monetary items USD	3,800	30.448 (USD:NTD)	<u>\$ 297</u>

For the three and nine months ended September 30, 2019 and 2018, realized and unrealized net foreign exchange gains were \$3,192 thousand, \$5,636 thousand, \$24,187 thousand and \$36,000 thousand, respectively. It is impractical to disclose net foreign exchange gains 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 nine months ended September 30, 2019 and 2018 are shown in the income statements for the three months and nine months ended September 30, 2019 and 2018. The segment assets as of September 30, 2019, December 31, 2018 and September 30, 2018 are shown in the balance sheets as of September 30, 2019, December 31, 2018 and September 30, 2018.

GREATEK ELECTRONICS INC.

MARKETABLE SECURITIES HELD SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

		Relationship with the		SEPTEMBER 30, 2019				
Holding Company Name	Marketable Securities Type and Issuer	Holding Company	Financial Statement Account	Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	Note
Greatek Electronics Inc.	<u>Fund</u>							
	FSITC Money Fund	-	Financial assets at fair value through profit or loss – current	283	\$ 50,584	-	\$ 50,584	Note 1
	Bond		prome or loss carrent					
	02 Taipower 1B	-	Financial assets at amortized cost - current	150	150,673	-	150,652	Note 2
	P06 Taipower 1A	-	Financial assets at amortized cost – noncurrent	300	300,001	-	302,995	Note 2
	P07 Taipower 1A	-	Financial assets at amortized cost – noncurrent	200	200,001	-	199,999	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost – noncurrent	100	100,001	-	100,000	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost – noncurrent	100	100,000	-	100,602	Note 2
	P04 FENC 4	-	Financial assets at amortized cost – noncurrent	100	100,000	-	100,575	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost – noncurrent	100	100,000	-	100,751	Note 2
	Stock							
	Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive profit or loss - noncurrent	2,650	231,080	-	231,080	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 September 30, 2019.

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

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

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

Note 5: As of September 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 NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note	
Company Name	Related Farty		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	\$ 734,173	8	Net 60 days from monthly closing dates	Note	-	\$ 257,542	8	-
	Realtek Singapore private limited	Same parent company with the corporate director	Sale	277,561	3	Net 60 days from monthly closing dates	Note	-	90,403	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 SEPTEMBER 30, 2019 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	ationship Ending Balance Turnover Rate Overdu		rdue	Amounts Received	Allowance for Bad		
Company Name	Related Farty	Nature of Kelauonship	Eliulig Dalance	Turnover Kate	Amount	Amount Action Taken		Debts	
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of the corporate director	\$ 257,542	4.03	\$ -	-	\$ 95,033	\$ -	