THINFLEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of THINFLEX CORPORATION (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of THINFLEX CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. In addition, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, THINFLEX CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
THINFLEX CORPORATION
By

HUANG, CHIA-NENG
March 12, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of ThinFlex Corporation

Opinion

We have audited the accompanying consolidated balance sheets of ThinFlex Corporation and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ThinFlex Corporation as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2018 are outlined as follows:

Accuracy of timing on sales revenue recognition

Description

Please refer to Note 4(29) for accounting policy on revenue recognition.

Mainland China is the Group's major sales region. The sales revenue should be recognised when the entity has transferred to the buyer the control of the goods based on the terms of sales orders, contracts or other agreements. As the procedures for revenue recognition involves checking of sales and relevant documents, and those procedures were performed manually, which may cause revenue recognition in inappropriate timing near the end of the reporting period. Thus, we consider the accuracy of timing on sales revenue recognition as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood, assessed and tested the internal controls on revenue recognition are reasonable and performed effectively.
2. Performed cutoff tests on sales revenue in a certain period around balance sheet date, including verified customer packing lists, export declaration documents, shipping records of shipping companies or customer receipt recorak and other relevant documents to confirm the timing of revenue recognition is appropriate in accounting.
3. We performed confirmation of the customers whose ending balance of accounts receivable reaching certain amounts, investigate the reason why the confirmed amounts are not in agreement with the records, if any, and test the adjustments of Thinflex Corporation.

Allowance for inventory valuation losses

Description

Please refer to Note 4(11) for accounting policies on inventory valuation, Note 5 for the uncertainty of estimates and assumptions applied on inventory valuation, and Note 6(4) for details of inventory. As of December 31, 2018, inventories and allowance for inventory valuation losses amounted to NT$607,732 thousand and NT$86,362 thousand, respectively.

ThinFlex Corporation is primarily engaged in the manufacture and sale of soft copper foil substrate and back glue paper. Due to rapid technology innovations of these inventories and the fluctuation of market prices, there is a higher risk of inventory losing value or becoming obsolete. ThinFlex Corporation measures inventory at the lower of cost and net realisable value by adopting an item-by-item approach while comparing. As the monetary values of inventories are material, items of inventories are voluminous, and the recognition of obsolete and damaged inventories are subject to subjective judgment, the valuation contains uncertainty. Therefore, we consider the allowance for inventory valuation losses as a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1. Based on our understanding of business and industry of the Group, we assessed the reasonableness of its provision policies and procedures of allowance for inventory valuation including degree of inventory closeout, reasonableness of obsolete inventory judgement and consistency of estimation accounting methods.
2. Obtained an understanding of the warehouse management process and related internal control procedures as well as inspected the plan and participated in annual inventory taking to control the inventory status and evaluate the management division and the effectiveness of controlling the obsolete inventories.
3. Tested the preparation accuracy of reports used for evaluating inventory valuation losses and the consistency with the Group's related policies; tested the supporting evidences and rationality of net realized value by sample testing individual inventory mark number; and checked the inventory records by sample testing individual inventory mark number to confirm the correctness of the inventory age intervals and the adequacy of allowance for inventory valuation loss.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of ThinFlex Corporation., including other matter section, as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

[Liao, A-Shen]

[Lin, Yi-Zhang]

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2019

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 424,164	12	$ 256,186	9
1150	Notes receivable, net	6(2)(3)	387,473	11	365,449	13
1170	Accounts receivable, net	6(2) and 7	1,157,443	33	1,146,030	39
1200	Other receivables	7	3,730	-	7,462	-
130X	Inventories	6(4)	521,370	15	410,671	14
1410	Prepayments		22,649	1	28,551	1
1479	Other current assets, others		-	-	5,966	-
11XX	**Current Assets**		2,516,829	72	2,220,315	76
	Non-current assets					
1600	Property, plant and equipment	6(5)(25), 7 and 8	686,779	20	539,632	19
1780	Intangible assets		6,176	-	3,273	-
1840	Deferred income tax assets	6(22)	22,650	1	20,452	1
1915	Prepayments for business facilities	6(5)(25)	178,960	5	62,015	2
1920	Guarantee deposits paid		9,057	-	11,360	-
1985	Long-term prepaid rents	6(6) and 8	11,936	1	12,521	-
1990	Other non-current assets, others	6(7)(25) and 8	42,670	1	47,330	2
15XX	**Non-current assets**		958,228	28	696,583	24
1XXX	**Total assets**		$ 3,475,057	100	$ 2,916,898	100

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THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

			December 31, 2018		December 31, 2017	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)(26) and 8	$ 1,024,688	29	$ 633,545	22
2170	Accounts payable		195,354	6	241,274	8
2180	Accounts payable - related parties	7	211,894	6	200,745	7
2200	Other payables	6(7)(9)(25) and 7	225,928	6	185,864	6
2230	Current income tax liabilities	6(22)	33,263	1	28,888	1
2250	Provisions for liabilities - current	6(10)	19,993	1	21,074	1
2399	Other current liabilities, others		900	-	1,017	-
21XX	**Current Liabilities**		1,712,020	49	1,312,407	45
	Non-current liabilities					
2540	Long-term borrowings	6(11)(26) and 8	280,000	8	160,000	6
2600	Other non-current liabilities	6(7)(25)	3,234	-	8,794	-
25XX	**Non-current liabilities**		283,234	8	168,794	6
2XXX	**Total Liabilities**		1,995,254	57	1,481,201	51
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(13)	1,006,378	29	1,006,378	34
	Retained earnings	6(14)(23)				
3310	Legal reserve		96,570	3	79,215	3
3320	Special reserve		14,294	1	8,838	-
3350	Unappropriated retained earnings		386,680	11	355,560	12
3400	**Other equity interest**	6(15)	(24,119)	(1)	(14,294)	-
31XX	**Equity attributable to owners of the parent**		1,479,803	43	1,435,697	49
3XXX	**Total equity**		1,479,803	43	1,435,697	49
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 3,475,057	100	$ 2,916,898	100

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

THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amonuts)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	7	$ 2,616,963	100	$ 2,491,322	100
5000	**Operating costs**	6(4)(20)(21) and 7	(2,150,126)	(82)	(2,019,298)	(81)
5950	**Net operating margin**		466,837	18	472,024	19
	Operating expenses	6(6)(20)(21) and 7				
6100	Selling expenses		(85,974)	(3)	(88,286)	(4)
6200	General and administrative expenses		(98,874)	(4)	(96,514)	(4)
6300	Research and development expenses		(62,258)	(3)	(52,671)	(2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(3,591)	-	-	-
6000	**Total operating expenses**		(250,697)	(10)	(237,471)	(10)
6900	**Operating profit**		216,140	8	234,553	9
	Non-operating income and expenses					
7010	Other income	6(17)	10,759	1	8,911	1
7020	Other gains and losses	6(18)	(8,967)	-	(17,132)	(1)
7050	Finance costs	6(19)	(17,608)	(1)	(16,536)	(1)
7000	**Total non-operating income and expenses**		(15,816)	-	(24,757)	(1)
7900	**Profit before income tax**		200,324	8	209,796	8
7950	Income tax expense	6(22)	(35,691)	(2)	(36,242)	(1)
8200	**Profit for the year**	6(23)	$ 164,633	6	$ 173,554	7
	Other comprehensive income					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	($ 9,825)	-	($ 5,456)	-
8500	**Total comprehensive income for the year**		$ 154,808	6	$ 168,098	7
	Profit attributable to:					
8610	Owners of the parent		$ 164,633	6	$ 173,554	7
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 154,808	6	$ 168,098	7
	Basic earnings per share					
9750	**Total basic earnings per share**	6(23)	$ 1.64		$ 1.72	
	Diluted earnings per share					
9850	**Total diluted earnings per share**	6(23)	$ 1.62		$ 1.72	

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

THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent					
			Retained Earnings				
	Notes	Share capital - common stock	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Year ended December 31, 2017							
Balance at January 1, 2017		$ 1,006,378	$ 68,195	$ -	$ 272,310	($ 8,838)	$ 1,338,045
Profit for the year		-	-	-	173,554	-	173,554
Other comprehensive loss for the year	6(15)	-	-	-	-	(5,456)	(5,456)
Total comprehensive income for the year		-	-	-	173,554	(5,456)	168,098
Appropriation and distribution of 2016 retained earnings:							
Leage reserve appropriated		-	11,020	-	(11,020)	-	-
Special reserve appropriated		-	-	8,838	(8,838)	-	-
Cash dividends paid	6(14)	-	-	-	(70,446)	-	(70,446)
Balance at December 31, 2017		$ 1,006,378	$ 79,215	$ 8,838	$ 355,560	($ 14,294)	$ 1,435,697
Year ended December 31, 2018							
Balance at January 1, 2018		$ 1,006,378	$ 79,215	$ 8,838	$ 355,560	($ 14,294)	$ 1,435,697
Profit for the year		-	-	-	164,633	-	164,633
Other comprehensive loss for the year	6(15)	-	-	-	-	(9,825)	(9,825)
Total comprehensive income for the year		-	-	-	164,633	(9,825)	154,808
Appropriation and distribution of 2017 retained earnings:							
Leage reserve appropriated		-	17,355	-	(17,355)	-	-
Special reserve appropriated		-	-	5,456	(5,456)	-	-
Cash dividends paid	6(14)	-	-	-	(110,702)	-	(110,702)
Balance at December 31, 2018		$ 1,006,378	$ 96,570	$ 14,294	$ 386,680	($ 24,119)	$ 1,479,803

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

THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 200,324	$ 209,796
Adjustments			
Adjustments to reconcile profit (loss)			
Financial assets and liabilities at fair value through profit or loss	6(19)	-	407
Write-off of uncollectible accounts	12(2)	3,591	-
Reversal of provision for bad debts	12(4)	-	2,192
Depreciation	6(5)(20)	157,201	144,846
Loss on disposal property, plant and equipment	6(18)	690	1,043
Amortization expense		1,558	694
Rent expense-long-term prepaid rents	6(6)	330	326
Depreciation expense-other non-current assets, others		2,511	2,509
Interest income	6(17)	(3,383)	(3,073)
Interest expense	6(19)	17,608	16,536
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(29,649)	(46,445)
Accounts receivable		(32,005)	(167,280)
Accounts receivable-related parties		(731)	292
Other receivables		3,760	(2,372)
Inventories		(115,386)	(175,865)
Prepayments		5,438	4,258
Other current assets-other		21	(18)
Changes in operating liabilities			
Financial assets and liabilities at fair value through profit or loss		-	(407)
Notes payable		-	(137)
Accounts payable		(45,179)	21,359
Accounts payable-related parties		11,149	46,594
Other payables		6,667	10,744
Provisions for liabilities-current	6(10)	(929)	6,669
Other current liabilities-other		(110)	290
Cash inflow generated from operations		183,476	72,958
Interest received		3,381	3,760
Interest paid		(12,870)	(17,521)
Income tax paid		(29,417)	(16,411)
Net cash flows from operating activities		144,570	42,786

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THINFLEX CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other financial assets-current		$ 5,945	$ 50,860
Acquisition of property, plant and equipment	6(25)	(206,578)	(99,456)
Proceeds from disposal of property, plant and equipment		224	20
Acquisition of intangible assets		(4,480)	(2,952)
Increase in prepayments for business facilities		(189,913)	(64,095)
Decrease (increase) in refundable deposits		2,280	(3,580)
Acquisition of solar energy equipment	6(26)	(5,499)	(5,837)
Decrease (increase) in other non-current assets others	6(25)	2,118	(231)
Net cash flows used in investing activities		(395,903)	(125,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term debt		2,495,326	2,829,074
Repayments of short-term debt		(2,098,739)	(2,874,481)
Proceeds from long-term debt		210,000	316,190
Repayments of long-term debt		(90,000)	(250,120)
Cash dividends paid	6(14)	(110,702)	(70,446)
Net cash flows from (used in) financing activities		405,885	(49,783)
Effect of exhange rate changes on cash and cash equivalents		13,426	30,719
Net increase (decrease) in cash and cash equivalents		167,978	(101,549)
Cash and cash equivalents at beginning of year	6(1)	256,186	357,735
Cash and cash equivalents at end of year	6(1)	$ 424,164	$ 256,186

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

THINFLEX CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1)ThinFlex Corporation (the "Company") was incorporated as a Company on June 2, 2000. The Company is primarily engaged in manufacturing, wholesaling and retailing of electronic components, synthetic resin, precision chemical material and rubber.

(2)The main activities of the Company and its subsidiaries (collectively referred herein as the "Group") are provided in Note 4(3).

(3)On December 24, 2004, the Group's common stock was officially listed on the Taipei Exchange.

(4)As of December 31, 2018, Arisawa Manufacturing Co., Ltd. holds 52.30% equity interest of the Group and becomes the Group's ultimate parent company.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 12, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c)The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, ‘Revenue from contracts with customers’ and amendment

(a) IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 11, ‘Construction contracts’, IAS 18, ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b)The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. There is no significant effects of adopting the modified transition as of January 1, 2018.

C. Amendments to IAS 7, 'Disclosure initiative'

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

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

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

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

A. IFRS 16, 'Leases'

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

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that both 'right-of-use asset' and lease liability will be increased by $110,864 and $98,928, respectively, and long-term prepaid rent will be decreased by $11,936.

B. Annual improvements to IFRSs 2015-2017 cycle

Amendments to IAS 12, 'Income taxes'

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention.

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11',), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)	
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017
ThinFlex Corporation	ThinFlex Technology Corp.	Invested in other areas	100	100
ThinFlex Technology Corp.	TopFlex Corporation	Material cutting, test and manufacture and sales of packaging of flexible printed circuit	100	100

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the consolidated operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Group's functional and presentation currency.

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

Effective 2018

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each fiscal year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~30 years
Machinery and equipment	2~10 years
Transportation equipment	5 years
Office equipment	3~5 years
Instruments and equipment	2~10 years
Other assets	2~10 years

(13) Leases(lessor)

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

(14) Intangible assets

Intangible assets are computer software stated at cost and amortised on a straight-line basis over their estimated useful life of 3 to 5 years.

(15) Long-term prepaid rents

Long-term prepaid rent was a consideration paid to the local government in Mainland China for acquiring a specific land use right, and the depreciation of this specific land use right would be provided on a straight-line basis over the land's estimated useful lives of 50 years.

(16) Other assets

Other assets are solar energy equipment (shown as ‘Other non-current assets, others’), the basis of recognition is the discounted value of instalment amount, amortised on a straight-line basis over their estimated useful life of 20 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

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

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

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provisions (contingent liabilities of warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are resolved by the Group's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. The Group manufactures and sells a range of soft copper foil substrate and back glue paper related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is recognised based on the contract price specified in the contract, net of the value-added tax, sales returns, volume discounts and sales discounts. The contract does not include a significant financing component because the collection term is deemed present as the sales are made with average credit term of T/T 30~165 days, which is consistent with market practice.

C. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

D. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

In the preparation of these consolidated financial statements, the Group makes critical judgements in applying accounting policies and makes critical assumptions and estimates concerning future events. The judgements and estimates are continually evaluated and adjusted based on historical experience and other factors. The accounting estimates are the rational expectations of future events based on the situation of the specific day, estimates may differ from the actual results, such estimates and assumptions have a significant risk of causing material adjustments to the carrying amount of assets and liabilities in next fiscal year, and the related information is addressed below:

Evaluation of inventories

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

As of December 31, 2018, the carrying amount of inventories was $521,370.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash：		
Cash on hand and petty cash	$ 258	$ 297
Checking accounts and demand deposits	369,264	222,650
	369,522	222,947
Cash equivalents：		
Time deposits	54,642	33,239
	$ 424,164	$ 256,186

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

B. The Group has no cash and cash equivalents pledged to others as of December 31, 2018 and 2017.

C. The period of these time deposits are less than 3 months and are not pledged to others. Therefore, they are classified as cash equivalents.

(2) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 391,966	$ 385,419
Less: Discounted notes receivable	(4,493)	(19,970)
	$ 387,473	$ 365,449
Accounts receivable	$ 1,164,060	$ 1,148,222
Less: Loss allowance	(6,617)	(2,192)
	$ 1,157,443	$ 1,146,030

Note: It was including accounts receivable due from related parties, please refer to Note 7 for more information.

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,089,218	$ 391,966	$ 1,038,587	$ 385,419
Past due				
1 to 30 days	69,844	-	106,943	-
31 to 60 days	627	-	715	-
61 to 90 days	441	-	-	-
Over 91 days	3,930	-	1,977	-
	$ 1,164,060	$ 391,966	$ 1,148,222	$ 385,419

The above ageing analysis was based on past due date.

B. Those discounted notes receivable were deducted directly from notes receivable, from transfer of financial assets, please refer to Note 6(3) for more information.

C. The Group has no notes and accounts receivable pledged to others on December 31, 2018 and 2017.

D. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were $387,473 and $365,449, $1,157,443 and $1,146,030, respectively.

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

(3) Transfer of financial assets

As of December 31, 2018 and 2017, the Group's discounted notes receivable (belonging to bank acceptance bills) amounting to $4,493 and $19,970, separately. Under normal circumstances, the Group does not expect the Company who issue the check to refuse payment. Those discounted notes receivable were deducted directly from notes receivable.

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 257,614	($ 35,890)	$ 221,724
Work in progress	86,814	(6,704)	80,110
Finished goods	261,434	(43,768)	217,666
Merchandise	1,870	-	1,870
	$ 607,732	($ 86,362)	$ 521,370

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 191,909	($ 28,131)	$ 163,778
Work in progress	90,029	(3,583)	86,446
Finished goods	191,853	(33,194)	158,659
Merchandise	1,788	-	1,788
	$ 475,579	($ 64,908)	$ 410,671

The cost of inventories recognised as expense for the year:

	2018	2017
Cost of goods sold	$ 2,156,989	$ 2,025,853
Inventory valuation loss	22,426	14,570
Revenue from sale of scraps	(19,613)	(22,494)
Loss on scrapping inventory	2,070	2,739
Others	(11,746)	(1,370)
	$ 2,150,126	$ 2,019,298

(5) Property, plant and equipment

A. The carrying amount of property, plant and equipment is shown as follows:

	December 31, 2018	December 31, 2017
Buildings and structures	$ 247,950	$ 244,899
Machinery and equipment	293,669	274,324
Transportation equipment	363	804
Office equipment	9,340	5,296
Instruments and equipment	13,583	13,088
Other facilities	1,136	1,221
Unfinished construction	120,738	-
	$ 686,779	$ 539,632

B. Changes in property, plant and equipment during the period are shown as follows:

2018

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Instruments and equipment	Other facilities	Unfinished construction	Total
Cost								
Opening net book amount as at January 1	$ 462,618	$ 827,216	$ 2,223	$ 8,860	$ 31,394	$ 2,304	$ -	$ 1,334,615
Additions	34,319	67,383	5	6,486	5,405	336	120,738	234,672
Prepayments for business facilities transferred in	4,482	66,676	-	46	1,760	-	-	72,964
Disposals	(20,917)	(39,573)	(749)	(1,667)	(2,260)	(195)	-	(65,361)
Net exchange difference	(2,707)	(5,964)	(23)	(78)	(146)	(28)	-	(8,946)
Closing net book amount as at December 31	$ 477,795	$ 915,738	$ 1,456	$ 13,647	$ 36,153	$ 2,417	$ 120,738	$ 1,567,944
Accumulated depreciation								
Opening net book amount as at January 1	($ 215,415)	($ 489,096)	($ 1,419)	($ 3,564)	($ 18,283)	($ 1,031)	$ -	($ 728,808)
Depreciation charge	(33,940)	(113,474)	(332)	(2,438)	(6,614)	(403)	-	(157,201)
Disposals	20,625	38,987	642	1,667	2,235	195	-	64,351
Net exchange difference	1,162	3,905	16	28	115	10	-	5,236
Closing net book amount as at December 31	($ 227,568)	($ 559,678)	($ 1,093)	($ 4,307)	($ 22,547)	($ 1,229)	$ -	($ 816,422)
Accumulated impairment								
Opening net book amount as at January 1	($ 2,304)	($ 63,796)	$ -	$ -	($ 23)	($ 52)	$ -	($ 66,175)
Disposals	4	92	-	-	-	-	-	96
Net exchange difference	23	1,313	-	-	-	-	-	1,336
Closing net book amount as at December 31	($ 2,277)	($ 62,391)	$ -	$ -	($ 23)	($ 52)	$ -	($ 64,743)

2017

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Instruments and equipment	Other facilities	Total
Cost							
Opening net book amount as at January 1	$ 469,742	$ 854,362	$ 2,389	$ 13,608	$ 32,543	$ 1,835	$ 1,374,479
Additions	2,624	109,646	-	2,447	685	611	116,013
Prepayments for business facilities transferred in	882	14,971	-	-	-	-	- 15,853
Disposals	(8,664)	(147,394)	(140)	(7,135)	(1,712)	(125)	(165,170)
Net exchange difference	(1,966)	(4,369)	(26)	(60)	(122)	(17)	(6,560)
Closing net book amount as at December 31	$ 462,618	$ 827,216	$ 2,223	$ 8,860	$ 31,394	$ 2,304	$ 1,334,615
Accumulated depreciation							
Opening net book amount as at January 1	($ 191,786)	($ 528,970)	($ 1,125)	($ 8,252)	($ 14,311)	($ 924)	($ 745,368)
Depreciation charge	(32,784)	(103,164)	(440)	(2,468)	(5,751)	(239)	(144,846)
Disposals	8,494	140,385	136	7,135	1,707	126	157,983
Net exchange difference	661	2,653	10	21	72	6	3,423
Closing net book amount as at December 31	($ 215,415)	($ 489,096)	($ 1,419)	($ 3,564)	($ 18,283)	($ 1,031)	($ 728,808)
Accumulated impairment							
Opening net book amount as at January 1	($ 2,335)	($ 70,889)	$ -	$ -	($ 23)	($ 52)	($ 73,299)
Disposals	13	6,111	-	-	-	-	6,124
Net exchange difference	18	982	-	-	-	-	1,000
Closing net book amount as at December 31	($ 2,304)	($ 63,796)	$ -	$ -	($ 23)	($ 52)	($ 66,175)

C. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2018	2017
Amount capitalised	$ 401	$ -
Range of the interest rates for capitalisation	1.06%~1.80%	-

D. The significant components of buildings and structures include building engineering, air compressor equipment, electric power project and monitoring system engineering, which are depreciated over 20, 8, 5 and 3 years, respectively.

E. As of December 31, 2018 and 2017, the accumulated impairment balance were $64,743 and $66,175, respectively.

F. No impairment loss of fixed assets were recognised for the years ended December 31, 2018 and 2017, the related changing amounts were reversed impairment loss of scrapping and disposing.

G. Please refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(6) Long-term prepaid rent

	December 31, 2018	December 31, 2017
Land use right	$ 11,936	$ 12,521

A. Long-term prepaid rent mainly arose from the consideration paid to the local government in Mainland China by the Group's subsidiary, TopFlex Corporation, for acquiring a specific land use right in December 2005. The royalty for the use of the land has been settled within the agreed payment date based on the lease agreement. The Group recognised rental expenses (shown as 'Administrative expense') of $330 and $326 for the years ended December 31, 2018 and 2017, respectively.

B. Information on the Group's land use right pledged to others as collateral for short-term mortgage is provided in Note 8.

(7) Other non-current assets – others

	December 31, 2018	December 31, 2017
Solar energy equipment	$ 52,727	$ 52,727
Less: Accumulated depreciation	(19,669)	(17,157)
	33,058	35,570
Other non-current financial assets		
Restricted assets	4,000	4,000
Others	5,612	7,760
	$ 42,670	$ 47,330

A. On January 27, 2011, the Group entered into purchase agreements with a total value of $58,878 through instalment with a supplier regarding solar power system construction project and solar power system module equipment. The Group recognised the discounted amount of $52,727 in instalments, which are listed as 'Other non-current assets, other'. Further details are shown as follows:

(a) The supplier starts to collect the payment of equipment monthly after the project is finished and parallel generate electricity with Taiwan Power Group until the Group pays off. The monthly payment amount is 95% of the wholesale income from Taiwan Power Group.

(b) Supplier guarantees the total electric energy production capacity in 20 years. The difference between production amount and supplier guarantee amount belongs to the Company after 20 years. The Group is required to purchase effective warranty from the supplier after 6 years of parallel electricity generation.

(c) Based on the purchase agreement, the solar energy equipment purchased on instalment are recognised at the discounted value by period and listed as 'Other payables' and 'Other non-current liabilities'. Details of total future payable and the present value of the payable are shown as follows:

	Total long-term accounts payable	
	December 31, 2018	December 31, 2017
Long-term payables	$ 9,163	$ 14,885
Less: Current portion	(4,926)	(5,090)
	$ 4,237	$ 9,795

	Present value of long-term accounts payable	
	December 31, 2018	December 31, 2017
Long-term payables	$ 7,924	$ 13,423
Less: Current portion	(4,690)	(4,629)
	$ 3,234	$ 8,794

B. Please refer to Note 8 for the information on restricted assets of the Group.

(8) Short-term borrowings

	December 31, 2018	December 31, 2017
Secured bank borrowings	$ 215,688	$ 259,169
Unsecured bank borrowings	809,000	374,376
	$ 1,024,688	$ 633,545
Interest rate range	0.85%~4.27%	0.90%~4.74%

Please refer to Note 8 for the information on collateral of the aforementioned secured bank borrowings.

(9) Other payables

	December 31, 2018	December 31, 2017
Construction payment refund	$ 54,469	$ 26,375
Estimated bonus payable	33,829	33,844
Business tax payable	26,947	30,392
Employees' compensation payable	15,399	14,931
Wages and salaries payable	12,771	11,953
Other payables-solar energy	4,690	4,629
Other (Note)	77,823	63,740
	$ 225,928	$ 185,864

Note: Please refer to Note 7 for the information it included other payables to related parties.

(10) Current provisions

Warranty	2018	2017
Balance at January 1	$ 21,074	$ 14,437
Additional provisions	1,698	8,631
Used provisions	(1,300)	(1,962)
Unused amounts reversed	(1,327)	-
Effect of foreign exchange	(152)	(32)
Balance at December 31	$ 19,993	$ 21,074

Analysis of provisions:

	December 31, 2018	December 31, 2017
Current	$ 19,993	$ 21,074

The Group's provision for warranties is regarding selling of soft copper foil substrate and back glue paper. Provision for warranties is estimated based on historical warranty data and is not expected to be significantly used in the next year.

(11) Long-term borrowings

Creditor	Type of borrowings	Pledge or guarantee	Contract period	December 31, 2018	December 31, 2017
KGI Bank	Unsecured borrowings	Note 1	Note 1	$ 100,000	$ -
Hua Nan Bank and 7 other banks	Category-A - Secured borrowings	Note 2	2017.03~2022.03	-	90,000
Hua Nan Bank and 7 other banks	Category-B - Secured borrowings	Note 2	2017.03~2022.03	180,000	70,000
				$ 280,000	$ 160,000
			Interest rate range	1.06%~1.80%	1.80%

Note 1: The Group entered into an unsecured borrowings contract with KGI Bank for financing. Based on the agreement, the contract was a long-term borrowings contract and can be redrawn with the loan terms from the contract signing day to the maturity day. Interest was repayable monthly and principal was repayable in full at end of the terms. The borrowing contract with loan terms from January 9, 2017 to January 9, 2019 was resigned on October 9, 2018 with KGI Bank with the loan terms extended to August 28, 2020.

Note 2: The Group entered into a contract for a syndicated borrowing of 7 banks including Hua Nan Bank on October 5, 2016. Key terms of the contract are as follows:

A. Credit line: total NT$2 billion.

(a) Category A: Non-revolving medium-term credit line of NT $500 million

(b) Category B: Medium-term credit line of NT $1.5 billion or equivalent USD and can be redrawn

B. Loan terms: 5 years from the first drawing day. The first drawing day is defined as the day of 6 months after contract signing if the actual first drawing day is later than 6 months after contract signing.

C. Repayment:

(a) Category A: The principal is repayable in 5 average instalments semi-annually starting from the first repayment after 3 years from the first drawdown.

(b) Category B: Each drawdown needs to be repaid by the maturity day according to drawing application and redraw is only available after the previous maturity day. Repayment of the previous drawdown with the redraw money is allowed and the syndicated banks are not required to do the in and out transactions for the same amount.

D. Collateral: All plant properties are given the first priority maximum hypothec by the Group to the managing banks (pledge was registered on November 2, 2016). Insurance interest of pledged plant was transferred to the banks (letter of undertaking for transfer was signed on October 5, 2016). The borrower should set the new purchased machinery and equipment (including accessory equipment) as the first priority maximum hypothec and transfer to the managing banks for Category A credit line and residual value for enhancing Category B credit line.

E. Restrictions on financial ratios: During the contract period, the Group is required to calculate and maintain current ratio, debt ratio, times interest earned ratio and equity based on the audited annual consolidated financial statements and the reviewed the second quarter consolidated financial statements.

(12) Pensions

A. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2018 and 2017, were $3,353 and $3,424, respectively.

(13) Share capital

As of December 31, 2018, the Group’s authorized capital was $2,000,000, consisting of 200,000 thousand shares, and the paid-in capital was $1,006,378 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Group’s ordinary shares outstanding are as follows: (in thousand shares)

	Years ended December 31,	
	2018	2017
January 1 and December 31	100,638	100,638

(14) Retained earnings

A. Under the Group’s Articles of Incorporation, the current year’s earnings, if any, except for paying all business income taxes and offset prior years’ operating losses, shall first be set aside 10% of the remaining amount as legal reserve. When the legal reserve amount reaches the total capital amount, the Group shall not be subject to this requirement, and special reserve shall be set aside or reversed in accordance with related laws. The special reserve along with unappropriated retained earnings at the beginning of the period are appropriated as accumulated distributable earnings of stockholders. The appropriation shall be proposed by the Board of Directors and be resolved by the stockholders.

B. The Group’s dividend policy is summarised below: In order to align with the overall environment of the Group and the characteristics of the industry growth, as well as the Group’s long-term financial planning and ongoing and stable development, the residual dividend policy is adopted. The proposed distribution of residual dividend shall be no less than 10% of the current year distributable earnings of the Group and cash dividend shall be no less than 10% of the total dividend distributed to stockholders.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

D. The Group recognised dividends distributed to owners amounting to $110,702 at $1.1 (in dollars) per share and $70,446 at $0.7 (in dollars) per share for the years ended December 31, 2018 and 2017, respectively. On March 12, 2019, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2018 was $100,638 at $1 (in dollars) per share.

(15) Other equity

	Years ended December 31, 2018	Years ended December 31, 2017
At January 1	($ 14,294)	($ 8,838)
Currency translation differences-The Group	(9,825)	(5,456)
At December 31	($ 24,119)	($ 14,294)

(16) Operating revenue

A. The revenue from contracts with customers are from the transfer of goods and services at a point in time recognised as follows:

2018	Taiwan	China	Total
Total segment revenue	$ 2,013,326	$ 1,633,498	$ 3,646,824
Inter-segment revenue	(1,021,630)	(8,231)	(1,029,861)
Revenue from external customer contracts	$ 991,696	$ 1,625,267	$ 2,616,963
Timing of revenue recognition			
At a point in time	$ 991,696	$ 1,625,267	$ 2,616,963

B. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(17) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Interest income	$ 3,383	$ 3,073
Revenue from solar energy	3,534	3,866
Other income - others	3,842	1,972
	$ 10,759	$ 8,911

(18) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net foreign exchange losses	($ 2,018)	($ 6,357)
Net gains on financial assets (liabilities) at fair value through profit or loss	-	(407)
Net losses on disposal of property, plant and equipment	(690)	(1,043)
Miscellaneous disbursements	(6,259)	(9,325)
	($ 8,967)	($ 17,132)

(19) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Interest expense:		
Bank borrowings	$ 17,786	$ 16,197
Less: Capitalisation of qualifying assets (including unfinished construction)	(401)	-
Discounted solar energy equipment	223	339
	$ 17,608	$ 16,536

(20) Expenses by nature

	Years ended December 31, 2018	Years ended December 31, 2017
Raw materials and supplies used	$ 1,097,816	$ 1,144,382
Change in inventory of finished goods and work in progress	540,189	398,421
Employee benefit expense	245,929	223,860
Depreciation charges on property, plant and equipment	157,201	144,846
Utilities expense	44,830	41,887
Repairs and maintenance expense	32,419	27,239
Other expenses	282,439	276,134
Total operating costs and expenses	$ 2,400,823	$ 2,256,769

(21) Employee benefit expense

	Years ended December 31,	
	2018	2017
Wages and salaries	$ 213,205	$ 197,461
Labour and health insurance fees	11,786	10,307
Pension costs	3,353	3,424
Directors’ remuneration	3,241	2,493
Other personnel expenses	14,344	10,175
	$ 245,929	$ 223,860

A. In accordance with the Articles of Incorporation of the Group, the ratio of distributable profit of the current year shall be 1%~15% for employees’ compensation and shall not be higher than 3% for directors’ and supervisors’ remuneration. However, if a company has accumulated deficit, earnings shall be retained to cover losses first. The employees’ compensation will be distributed in the form of shares or cash, qualified employees including the employees of subsidiaries of the Group meeting certain specific requirements. Aforementioned distributable earnings are based on current pre-tax profit before deduction of employees’ compensation and directors’ and supervisors’ remuneration. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees’ compensation and in addition thereto a report of such distribution shall be submitted to the shareholders’ meeting.

B. The Board of Directors was authorized to decide the directors’ remuneration of the Group after considering the Compensation Committee’s suggestions, the Board of Directors participation degree and contribution value as well as the industry standard, and the ‘directors' remuneration regulation’ of the Group.

C. For the years ended December 31, 2018 and 2017, employees’ compensation was accrued at $15,399 and $14,931, respectively; while directors’ remuneration was accrued at $2,200 and $2,133, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees’ compensation and directors’ remuneration were estimated and accrued based on the percentage of 2018 current profit as prescribed by the Group’s Articles of Incorporation. The employees’ compensation and directors’ remuneration resolved by the Board of Directors meeting on March 12, 2019 were in agreement with those amount recognised in 2018 financial statements, and the employees’ compensation will be distributed in the form of cash.

   The employees’ compensation and directors’ remuneration of 2017 resolved by the Board of Directors were in agreement with those amount recognised in 2017 financial statements, and the employees’ compensation will be distributed in the form of cash.

   Information about employees’ compensation and directors’ remuneration of the Group as resolved at the meeting of Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 37,613	$ 33,756
Tax on undistributed surplus earnings	(3,818)	(1,306)
Prior year income tax overestimation	4,004	1,990
Total current tax	37,799	34,440
Deferred tax:		
Origination and reversal of temporary differences	366	2,216
Impact of change in tax rate	(2,564)	-
Effect of foreign exchange	90	(414)
Total deferred tax	(2,108)	1,802
Income tax expense	$ 35,691	$ 36,242

B.Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 40,426	$ 35,925
Effects from items disallowed by tax regulation	(2,447)	47
Tax on undistributed surplus earnings	(3,818)	(1,306)
Prior year income tax overestimation	4,004	1,990
Impact of change in tax rate	(2,564)	-
Effect of foreign exchange	90	(414)
Income tax expense	$ 35,691	$ 36,242

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C.Amounts of deferred tax assets as a result of temporary differences and tax losses are as follows:

	2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred income tax assets					
Temporary differences:					
Impairment loss	$ 59	($ 7)	$ -	$ -	$ 52
Allowance for inventories valuation loss	10,386	4,572	-	-	14,958
Others	10,007	(2,367)	-	-	7,640
	$ 20,452	$ 2,198	$ -	$ -	$ 22,650

	2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred income tax assets					
Temporary differences:					
Impairment loss	$ 577	($ 518)	$ -	$ -	$ 59
Allowance for inventories valuation loss	8,094	2,292	-	-	10,386
Others	5,073	4,934	-	-	10,007
Tax loss	8,924	(8,924)	-	-	-
	$ 22,668	($ 2,216)	$ -	$ -	$ 20,452

D. Expiration dates of loss carryforward and amounts of unrecognised deferred tax assets are as follows:

For the year ended December 31, 2018: None.

December 31, 2017					
Year incurred	Amount filed/ assessed	Used amount	Unused amount	Unrecognised deferred tax assets	Usable until
Year ended December 31, 2012	$ 18,905	($ 18,905)	$ -	$ -	2017
Year ended December 31, 2015	35,112	(35,112)	-	-	2020
Year ended December 31, 2016	9,446	(9,446)	-	-	2021
	$ 63,463	($ 63,463)	$ -	$ -	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 15,207	$ 13,458

F. The Group's income tax returns through 2016 have been assessed and approved by the Tax Authority. As of the date of the audit report, the Group has no significant administrative remedies for pending tax.

G. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Group's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 164,633	100,638	$ 1.64
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	164,633	100,638	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	805	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 164,633	101,443	$ 1.62

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 173,554	100,638	$ 1.72
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	173,554	100,638	
Assumed conversion of all dilutive potential ordinary shares:			
Employees' compensation	-	526	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 173,554	101,164	$ 1.72

As employees' compensation could be distributed in the form of stock, the diluted EPS computation shall assume that distribution will be in the form of stocks in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common share.

(24) Operating leases

The Group leases in land of Southern Taiwan Science Park Bureau under non-cancellable operating lease agreements and most of these lease agreements are renewable at the end of the lease period at the market price. The future aggregate minimum lease payments under lease term and non-cancellable operating leases are as follows:

Lease term

Lease object	Term
Luzhu Dist Luke Wuchang-First	2007.06~2027.05, total 20 years
Luzhu Dist Luke Wuchang-Second	2018.09~2038.09, total 20 years

	December 31, 2018	December 31, 2017
Less than 1 year	$ 8,537	$ 5,121
Later than 1 year but not later than 5 years	37,413	20,485
More than 5 years	62,874	22,618
	$ 108,824	$ 48,224

(25) Supplemental cash flow information

A. Investing and financing activities with partial cash payments：

(a) Purchase of property, plant and equipment

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 234,672	$ 116,013
Add: Opening balance of payable on equipment		
(Shown as 'Other payables')	26,375	8,555
(Shown as 'Notes payable')	-	1,263
Less: Ending balance of payable on equipment		
(Shown as 'Other payables')	(54,469)	(26,375)
Cash paid during the year	$ 206,578	$ 99,456

(b) Purchase of solar energy equipment (Shown as 'Other non-current assets, others')

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of solar energy equipment	$ -	$ -
Add: Opening balance of other payables	4,629	4,562
Opening balance of long-term accounts payable (Shown as 'Other non-current liabilities')	8,794	14,698
Less: Ending balance of other payables	(4,690)	(4,629)
Ending balance of long-term accounts payable, end of period (Shown as 'Other non-current liabilities')	(3,234)	(8,794)
Cash paid during the year	$ 5,499	$ 5,837

B. Investment and financing activities with no cash flow effects:

	Years ended December 31, 2018	Years ended December 31, 2017
Reclassified prepayments for business facilities to property, plant and equipment	$ 72,964	$ 15,853

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 633,545	$ 160,000	$ 793,545
activities	396,587	120,000	516,587
Effect of foreign exchange	(5,444)	-	(5,444)
AtDecember 31, 2018	$ 1,024,688	$ 280,000	$ 1,304,688

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Arisawa Manufacturing Co., Ltd.	Ultimate parent company
Arisawa Sogyo Co., Ltd.	Sibling company

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
-Ultimate parent	$ 10,139	$ 1,664

Because of different product types, the sale price for related parties, ultimate parent company and subsidiaries, and general customers are not comparable.

B. Purchases

	Years ended December 31,	
	2018	2017
Purchase:		
-Ultimate parent	$ 579,526	$ 525,736

Because of different product types, the purchase price for related parties, ultimate parent company and subsidiaries, and general customers are not comparable.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
-Ultimate parent	$ 731	$ -

The collection term for related parties, ultimate parent company, is T/T 60 days. The collection term to general customers is T/T 30~165 days.

D. Payables to related parties

	December 31, 2018	December 31, 2017
Accounts payable:		
-Ultimate parent	$ 211,894	$ 200,745

The payment term for related parties, ultimate parent company, is T/T 90 days. The payment term to general suppliers is T/T 60~120 days.

E. Property transactions

Acquisition of property, plant and equipment

	Year ended December 31, 2017
Accounts payable:	
-Sibling company	$ 688

(a)The Group purchased appearance tester from sibling company in the amount of USD 22 thousand (approximately NT$688) with payment term T/T 90 days which is no significant difference with the term of general customers.

(b)For the year ended December 31, 2018: No property transaction was made.

F. Others

(a) Other receivables (not including financing)

	December 31, 2018	December 31, 2017
-Ultimate parent	$ 373	$ 310

(b) Other payables

	December 31, 2018	December 31, 2017
-Ultimate parent	$ -	$ 97

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 18,285	$ 18,687
Business reimbursements	1,031	569
	$ 19,316	$ 19,256

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
	December 31, 2018	December 31, 2017	Purpose
Time deposits (Shown as'Other current assets, others')	$ -	$ 5,945	Short-term borrowings letter of credit
Time deposits (shown as 'Other non-current assets, others')	4,000	4,000	Customs duty guarantee
Buildings and structures	247,939	244,899	Credit line of syndicated loan
Machinery and equipment	90,772	118,017	Long-term borrowings
Land use right (shown as 'Long-term prepaid rent')	11,936	12,521	
	$ 354,647	$ 385,382	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies: None.

(2) Commitments

A. As of December 31, 2018 and 2017, the Group had unused letters of credit amounting to $80,356 and $144,398, respectively.

B. On January 27, 2011, the Group entered into purchase agreements with total value of $58,878 through instalment with a supplier regarding solar power system construction project and solar power system module equipment. Please refer to Note 6(7) for further information.

C. Operating leases agreement

Please refer to Note 6(24) for further information.

D. As of December 31, 2018 and 2017, the total amount of contracts signed (before tax) were $344,073 and $171,747 with the outstanding balance of $65,171 and $112,500, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 12, 2019, the Board of Directors resolved the appropriation of 2018 earnings. Please refer to Note 6(14) for further information.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. Because the Group needs to maintain the capital for expanding and improving plant and equipment, the Group's capital management is to ensure it has sufficient financial resources and operating plans to meet operational capital for future needs, capital expenditure, research and development expense, obligation repayment and dividend distribution within the next year.

During the year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
Total liabilities	$	1,995,254	$	1,481,201
Total assets	$	3,475,057	$	2,916,898
Gearing ratio	57%		51%	

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018		December 31, 2017	
Financial assets				
Financial assets at amortised cost				
Cash and cash equivalents	$	424,164	$	256,186
Notes receivable		387,473		365,449
Accounts receivable (including related parties)		1,157,443		1,146,030
Other receivables (including related parties)		3,730		7,462
Guarantee deposits paid		9,057		11,360
Other financial assets		4,000		9,945
	$	1,985,867	$	1,796,432
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	1,024,688	$	633,545
Accounts payable (including related parties)		407,248		442,019
Other payables (including related parties)		225,928		185,864
Long-term borrowings (including current portion)		280,000		160,000
Other financial liabilities		3,234		8,794
	$	1,941,098	$	1,430,222

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(b) The supervision of the risk management is through the Board of Directors that sets out the related regulations and authorizes the management to conduct daily operations under tolerable risk and requiring an assessment report of the internal control management. The management shall report to the Board of Directors immediately if any abnormal situation occurs and take appropriate actions to protect the Group.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Group used in various functional currency, primarily with respect to the USD, JPY and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimise the expected exchange rate risk of trading.

iii. The Group's businesses involve some non-functional currency operations(the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 17,596	30.72	$ 540,549
USD: RMB	6,711	6.866	206,162
RMB:NTD	104	4.472	465
JPY: NTD	9,608	0.278	2,671
Financial liabilities			
Monetary items			
USD:RMB	$ 7,828	6.866	$ 240,476
USD:NTD	11,318	30.72	347,689
JPY: NTD	2,535	0.278	705

	December 31, 2017					
	Foreign currency amount (In thousands)		Exchange rate		Book value	
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$	11,277	$	29.76	$	335,604
USD: RMB		8,456		6.512		251,651
RMB:NTD		931		4.565		4,250
JPY: NTD		82,560		0.264		21,796
Financial liabilities						
Monetary items						
USD:RMB	$	7,257	$	6.512	$	215,968
USD:NTD		14,193		29.76		422,384
JPY: NTD		3,653		0.264		964

v. Total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $2,018 and $6,357, respectively.

vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2018				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	5,405	$	-
USD:RMB	1%		2,062		-
RMB: NTD	1%		5		-
JPY:NTD	1%		27		-
Financial liabilities					
Monetary items					
USD:RMB	1%	$	2,405	$	-
USD:NTD	1%		3,477		-
JPY: NTD	1%		7		-

	December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 3,356	$ -
USD:RMB	1%	2,517	-
RMB:NTD	1%	43	-
JPY: NTD	1%	218	-
Financial liabilities			
Monetary items			
USD:RMB	1%	$ 2,160	$ -
USD:NTD	1%	4,224	-
JPY: NTD	1%	10	-

Price risk

The Group is not exposed to significant price risk.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates.

ii. Based on the simulations performed, the impact on pre-tax profit and loss of interest rate shift would be a maximum increase of $6,523 or decrease of $3,968 for the years ended December 31, 2018 and 2017, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b) Credit risk

Effective 2018

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The credit risks of bank deposits and other financial instruments are measured and monitored by the Group’s financial department. The Group’s counterparties of transactions and contracts are banks with optimal credit score and financial organizations and corporations with credit grade above investment. Therefore, the concern and the possibility of default are remote.

iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group classifies customers’ accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

v. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of December 31, 2018, the Group has no obligations which were written off but could still claim.

vi. As at December 31, 2018, loss allowance for accounts receivable based on individual provision and provision matrix is as follows:

	Individual	Not past due	Up to 30 days past due	31~60 days past due	61~90 days past due	Total
December 31, 2018						
Expected loss rate	100%	0.01%~0.08%	30%	60%	100%	
Total book value	$ 5,083	$ 1,157,443	$ -	$ -	$ 1,534	$ 1,164,060
Required loss allowance	$ 5,083	$ 926	$ -	$ -	$ 1,534	$ 7,543
Book value of loss allowance	$ 5,083	$ -	$ -	$ -	$ 1,534	$ 6,617

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018
	Accounts receivable
At January 1_IAS 39	$ 2,192
Adjustments under new standards	-
At January 1_IFRS 9	2,192
Reversal of impairment loss	3,591
Effect of foreign exchange	834
December 31, 2018	$ 6,617

viii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

The Group's object on liquidity risk management is to ensure the sufficiency of financial flexibility by maintaining cash and bank deposits for operating and adequate bank financing quota.

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	December 31, 2018		
	Within 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Short-term borrowings	$ 1,027,077	$ -	$ -
Accounts payable	195,354	-	-
Accounts payable to related parties	211,894	-	-
Other payables	221,238	-	-
Current income tax liabilities	33,263	-	-
Long-term borrowings (including current portion)	4,298	104,056	183,846
Other non-current liabilities (including current portion)	4,690	3,234	-

	December 31, 2017		
	Within 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Short-term borrowings	$ 635,958	$ -	$ -
Accounts payable	241,274	-	-
Accounts payable to related parties	200,745	-	-
Other payables	181,235	-	-
Current income tax liabilities	28,888	-	-
Long-term borrowings (including current portion)	2,875	2,875	166,302
Other non-current liabilities (including current portion)	4,629	4,672	4,122

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivatives instruments without active market is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The management of the Group argues that the carrying values of those financial assets and liabilities are not measured at fair value are almost equal approximate to their fair values. Those financial assets and liabilities including cash and cash equivalents, notes receivable, accounts receivable (including from related parties), other receivables (including from related parties), other financial assets (shown as' Other current assets - other'), guarantee deposits, short-term borrowings, accounts payable (including to related parties), other payables (including to related parties) and long-term borrowings. As of December 31, 2018 and 2017, the Group has no financial and non-financial instruments at fair value.

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

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(c) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i)Significant financial difficulty of the issuer or debtor;

(ii)A breach of contract, such as a default or delinquency in interest or principal payments;

(iii)The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv)It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v)The disappearance of an active market for that financial asset because of financial difficulties.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made separately according to the category of financial assets:

B. The financial assets transferred, on December 31, 2017, from IAS 39 to IFRS 9, on January 1, 2018, resulted in no significant adjustments.

C. Information on credit risk on December 31, 2017 and for the year ended December 31, 2017 is shown as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The notes receivable of the Group are neither past due nor impaired. In principle, the average payment term of accounts receivable granted to customers is T/T 30 to 165 days. While determining the collectability of accounts receivable, the Group considers any movement to the credit quality of account receivable from the initial granting date until the end of the reporting period date. The allowance for bad debts considers historical experience and the analysis of the customers' current financial position to estimate the unrecoverable amount.

(b) For the year ended December 31, 2017, management does not expect any significant losses from non-performance by these counterparties and monitor customers' credit limit.

(c) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
1 to 30 days	$ 106,943
31 to 60 days	-
61 to 90 days	-
Over 91 dayas	-
	$ 106,943

The above ageing analysis was based on past due date.

(d) Movements in impaired accounts receivable are as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $2,192.

ii. Movements on allowance for uncollectible accounts are as follows:

	2017
At January 1	$ 4,510
Provision impairment loss	2,192
Amount written off due to uncollectibility	(4,441)
Effect of foreign exchange	(69)
December 31	$ 2,192

(E) Accounts receivable of the Group that are neither past due nor impaired have been set a management process relating to credit risk of operations to maintain the quality of accounts receivable. The Group assesses the credit quality and setup credit line of individual customers by factors that may influence customers' ability to pay, such as their financial position, historical record and current economic condition. The credit line and credit ratings need to be regularly reassessed and the accounts receivable that are neither past due nor impaired are assessed as optimal credit ratings.

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

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below:

The Company manufactures and sells soft copper foil substrate and back glue paper products. Revenue is measured at the fair value of the consideration received or receivable less value added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by applying above accounting policies for the year ended December 31, 2017 amounted to $2,491,322.

C. There was no significant effect on the current balance sheets and comprehensive income statements if the Company continues adopting above accounting policies in year 2018.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Derivative transaction: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

14. Operating segment information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Group considers the business from a company (plant) perspective; The operating businesses currently are Thinflex and Topflex (including the holding parent company).

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the profit (loss) before taxes. The Group's segment profit (loss) is measured with the income before tax less non-operating income and expenses, which is used as a basis for the Group in assessing the performance of the operating segments.

(3) Information about segment profit or loss and assets

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

2018

Item	ThinFlex Corporation	TopFlex Corporation	Write-off and Adjustment	Total
External revenue	$ 991,696	$ 1,625,267	$ -	$ 2,616,963
Internal revenue-net	1,021,630	8,231	(1,029,861)	-
Segment revenue	$ 2,013,326	$ 1,633,498	($ 1,029,861)	$ 2,616,963
Segment income	$ 155,477	$ 60,663	$ -	$ 216,140
Segment assets including:				
Current liabilities	$ 1,889,175	$ 1,585,800	($ 958,146)	$ 2,516,829
Investments accounted for using equity method	433,302	-	(433,302)	-
Other non-current assets				
(Not included deferred tax assets)	806,765	128,813	-	935,578
Deferred tax assets	14,410	8,240	-	22,650
Total segment assets	$ 3,143,652	$ 1,722,853	($ 1,391,448)	$ 3,475,057
Segment liabilities	$ 1,663,849	$ 1,289,551	($ 958,146)	$ 1,995,254

2017

Item	ThinFlex Corporation	TopFlex Corporation	Write-off and Adjustment	Total
External revenue	$ 816,884	$ 1,674,438	$ -	$ 2,491,322
Internal revenue-net	1,165,963	13,526	(1,179,489)	-
Segment revenue	$ 1,982,847	$ 1,687,964	($ 1,179,489)	$ 2,491,322
Segment income	$ 186,867	$ 47,686	$ -	$ 234,553
Segment assets including:				
Current liabilities	$ 1,555,030	$ 1,600,248	($ 934,963)	$ 2,220,315
Investments accounted for using equity method	439,500	-	(439,500)	-
Other non-current assets				
(Not included deferred tax assets)	545,574	130,557	-	676,131
Deferred tax assets	14,530	5,922	-	20,452
Total segment assets	$ 2,554,634	$ 1,736,727	($ 1,374,463)	$ 2,916,898
Segment liabilities	$ 1,118,937	$ 1,297,227	($ 934,963)	$ 1,481,201

(4) Reconciliation for segment income (loss)

As mentioned in Note 14(3), total amount of reportable segment and disclosure of other significant matters are reported in a manner consistent with the profit or loss before tax less non-operating income and expenses, assets and liabilities and their according amount stated in financial statements. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2018 and 2017 is provided as follows:

	2018	2017
Total reportable segment income	$ 216,140	$ 234,553
Non-operating income and expenses	(15,816)	(24,757)
Income before tax from continuing operations	$ 200,324	$ 209,796

(5) Information on products and services

Revenue from external customers is mainly from flexible copper clad laminate and adhesive film. Details of revenue is as follows:

	2018	2017
Flexible copper clad laminate	$ 2,382,417	$ 2,249,724
Adhesive film	205,877	194,989
Others	28,669	46,609
	$ 2,616,963	$ 2,491,322

(6) Geographical information

Geographical information of the Group for the years ended December 31, 2017 and 2016 is as follows:

	Export sales from external customers			
	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 2,287,588	$ 126,300	$ 2,200,322	$ 129,418
Taiwan	265,270	800,221	185,024	535,353
Others	64,105	-	105,976	-
	$ 2,616,963	$ 926,521	$ 2,491,322	$ 664,771

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Segment	Revenue	Segment
A	$ 731,663	Parent and subsidiary company	$ 755,170	Parent and subsidiary company

ThinFlex Corporation

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party(Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	ThinFlex Corporation	TopFlex Corporation	Parties	Y	$ 371,460	$ 368,580	$ 368,580	LIBOR+0.8%	Short-term financing	$ -	Working capital and repayment of loan	$ -	None	$ -	$ 591,921	$ 591,921	Note 3

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

(1) The Company is '0'.

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

Note 2: In accordance with the Company's "Procedures for Provision of Loans" , the limit on total loans granted is 40% of the Company's net asset. Limit on loans granted to a single party with short-term financing is also 40% of the Company's net asset;

Note 3: US dollars were translated into New Taiwan dollars at average exchange rate 30.72 on the financial reporting date.

ThinFlex Corporation
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endoresements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	ThinFlex Corporation	TopFlex Corporation	Note 1	$ 295,961	$ 247,640	$ 245,720	$ 215,005	$ -	16.60%	$ 591,921	Y	N	Y	Note 3

Note 1: The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

Note 2: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", the limit on total endorsements and guarantees of the Company and its subsidiares to others is 40% of the Company's net asset. Limit on endorsements and guarantees to a single party is 20% of the Company's net asset.

Note 3: US dollars were translated into New Taiwan dollars at average exchange rate 30.72 on the financial reporting date.

ThinFlex Corporation
Purchases or sales of goods from or to realted parties reaching NT$100 million or 20% of paid-in capital or more
For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Compared to third party transactions		Notes/accounts receivable (payable)		
Seller/purchaser	Counterparty	Relationship with the counterparty	Sales (purchases)	Amount	Percentage of total sales (purchases)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
ThinFlex Corporation	Arisawa Manufacturing Co.,Ltd.	Ultimate parent company	Purchase	($ 579,526)	(39%)	T/T 90 days	Note 1	Note 3	($ 211,894)	(56%)	-
ThinFlex Corporation	TopFlex Corporation	Subsidiary	Sales	1,021,630	51%	T/T 150 days	Note 2	Note 4	578,308	60%	-
TopFlex Corporation	ThinFlex Corporation	The Company	Purchase	(1,021,630)	(77%)	T/T 150 days	Note 2	Note 5	(578,308)	(94%)	-

Note 1: Because of different product types, the purchase price for related parties,ultimate parent company,and general customers are not comparable.
Note 2: The sales and purchase transactions between the Company and its subsidiaries were based on cost plus reasonable profit.
Note 3:The payment term of general suppliers was T/T 60~120 days which was mainly based on the rules regarding payment term to suppliers of the Company.
Note 4:The collection term of general customers was T/T 30~165 days which was mainly based on the credit management rules of the Company.
Note 5:Because of different product types, the payment term of related parties was determined in accordance with the mutual agreement. For general suppliers, the payment terms was prepayments or T/T 90 days.

ThinFlex Corporation

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
ThinFlex Corporation	TopFlex Corporation	Subsidiary	Accounts receivable $ 578,308	N/A	$ -	None	$ 234,971	$ -
ThinFlex Corporation	TopFlex Corporation	Subsidiary	Other receivable $ 377,093	N/A	-	None	1,949	-

ThinFlex Corporation
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	ThinFlex Corporation	TopFlex Corporation	1	Sales revenue	$ 1,021,630	Note 4	39%
0	ThinFlex Corporation	TopFlex Corporation	1	Purchase	8,231	Note 5	-
0	ThinFlex Corporation	TopFlex Corporation	1	Accounts receivable	578,308	Note 4	17%
0	ThinFlex Corporation	TopFlex Corporation	1	Other receivables	377,093	Note 6	11%
0	ThinFlex Corporation	TopFlex Corporation	1	Accounts payable	2,745	Note 5	-
0	ThinFlex Corporation	TopFlex Corporation	1	guarantees	245,720	-	7%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1). Parent company is'0'.
(2). The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is clasified into the following three categories; fill in the number of catefory each case belongs to (If transactions between parant company and subsidiaries or betwe subsidiaries refer to the same transaction, it is not required to discolsed twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transacion; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transacion, then the other is not required to disclose the transaction.);
(1). Parent company to subsidiary.
(2). Subsidiary to parent company.
(3). Subsidiary to subsidiary.

Note 3: For the percentage of transaction amounts to consolidated total operating revenues or total assets, if balance sheet accounts, using the method by calculating the percentage of year-end balance to consolidated total assets; if statements of income accounts, using the method by calculating the percentage of current year accumulated amounts to consolidated total operating revenues.

Note 4: The sales of the Company are calculated by cost plus reasonable profit. Because of different product type, the transaction price for inter-company and general customers are not comparable. The collection term for inter-company is T/T 150 days.

Note 5: The payment term of inter-company was T/T 120 days and of general suppliers was T/T 60~120 days.

Note 6: The amount of 368,580 ineluded.

ThinFlex Corporation
Information on investees
For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31,2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shars	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
ThinFlex Corporation	ThinFlex Technology Corp.	British Virgin Islands	Investing in other locations	$ 549,642	$ 549,642	17,062,275	100.00	$ 433,302	$ 3,110	$ 3,110	Note

Note: The investment income or loss was recognised basing on the audited financial statements of the investee companies.

ThinFlex Corporation
Information on investments in Mainland China
For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended Decemebr 31, 2018(Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
TopFlex Corporation	Manufacturing and sales of material cutting, testing, and packing tools for flexible Printed Circuit Board	$ 521,390	Note 1	$ 517,158	$ -	$ -	$ 517,158	$ 3,110	100	$ 3,110	$ 457,123	$ -	Note 2 and 3

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)(Note 4)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
ThinFlex Corporation	$ 517,518	$ 519,304	$ 887,882

Note 1: Through investing in ThinFlex Technology Corp. in the third area, which then invested in the investee in Mainland China.

Note 2: Investment income (loss) was recognised basing on the financial statements that are audited and attested by R.O.C parent company's CPA.

Note 3: As of December 31, 2018, the accumulated amount of remittance from Taiwan to Mainland China was USD 16,862 thousand. US dollars were translated into New Taiwan dollars at the buying rate 30.67 on the financial reporting date.

Note 4: As of December 31, 2018, Investment amount approved by the Investment Commission of the Ministry of Economic Affairs was USD $16,932. US dollars were translated into New Taiwan dollars at the buying rate 30.67 on the financial reporting date.

Note 5: Ceiling on investments in Mainland China was calculated by 60% of the higher amount of net assets of the Company or consolidated net assets. On June 8, 2017, the Company acquired the cerificate for recognising operational headquarters issued based on Gong-Zi order No.10720416300 by Industrial Development Bureau, Ministry of Ecomomic Affairs, according to related rules, the Company does not need to apply the aforemention limitation.

ThinFlex Corporation
Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas
For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

	Sale (Purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Amount	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others
TopFlex Corporation	$ 1,021,630	51%	$ -	-	$ 578,308	60%	$ 245,720	Financing	$ 371,460	$ 368,580	LIBOR+0.8%	$ 10,632	-
TopFlex Corporation	(8,231)	(1%)	-	-	(2,745)	(1%)	-	-	-	-	-	-	-