CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

CHENG UEI PRECISION INDUSTRY CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CHENG UEI PRECISION INDUSTRY CO.,LTD.

March 31, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18000530

To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries (the "Group") as of 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, based on our audits and the report of other independent accountants (which are described in the *Other matters* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 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 Consolidated 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 ("Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter –significant unresolved litigation involving investments accounted for using equity method

As described in Notes 6(7) and 9(2) to the consolidated financial statements, Central Motion Picture Corporation, an equity-method investment of the Group, was determined to be an affiliate organization of the Kuomintang by the Ill-gotten Party Assets Settlement Committee in its written disposition issued on October 9, 2018. Under Article 16 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organizations, Central Motion Picture Corporation may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, Central Motion Picture Corporation may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted a cause of action to the Taipei High Administrative Court. As of the financial reporting date, the possible result of this litigation cannot be determined, therefore our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters for the Group's consolidated financial statements of the year ended December 31, 2018 are stated as follows:

Business combination-identification and valuation of intangible assets from acquisition

<u>Description</u>

Please refer to Note 4 (31) for accounting policies on business combination. As described in Note 6 (30) to the consolidated financial statements, the Group's subsidiary, PQI, and equity-method investments, Foxlink Image Technology Co., Ltd. and GLORY SCIENCE CO., LTD., became wholly-owned subsidiaries of the newly formed company FIT Holding Co., Ltd. through a joint share swap and ceased to be publicly traded companies on October 1, 2018 in accordance with relevant regulations. PQI, Foxlink Image Technology Co., Ltd. and Glory Science Co., Ltd. will be delisted based on the regulation starting from October 1, 2018, and FIT Holding Co., Ltd. will be listed on the same date.

The Group holds more than half of the seats in the Board of Directors of FIT Holding Co., Ltd after the abovementioned stock conversion, therefore, FIT Holding Co., Ltd is substantively determined as controlled by the Group. Foxlink Image Technology Co., Ltd and Glory Science Co., Ltd, which were the investees accounted for using equity method, became the subsidiaries of the Group. Because the above equity transactions involve the amortisation on fair value of identifiable intangible assets and goodwill of the investees, the management assesses the fair value through valuation method by the appointed external appraiser. As the valuation involved many assumptions and involves subjective judgement and a high degree of uncertainty. Thus, we consider the valuation of intangible assets as a key audit matter.

How our audit addressed the matter

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

A. Obtained the external appraisal report on consideration allocation and examined appraiser's qualification and assessed the independence, objectiveness and competence.

B. Assessed whether the valuation model used in the appraisal report was widely used and appropriate.

C. Assessed the reasonableness of significant assumptions (including expected growth rate, discount rate) used in the valuation model.

Valuation of Goodwill impairment

Description

Please refer to Note 4(18) for accounting policies on impairment loss on non-financial assets, Note 5(1) for the uncertainty of accounting estimates and assumptions applied to goodwill impairment valuation, and Note 6(10) for details of goodwill impairment valuation.

The amount of goodwill (including indefinite useful life trademarks) was generated from the acquisition of a subsidiary through the consolidated entity. The Group valued the impairment of goodwill (including indefinite useful life trademarks) through the discounted cash flow method which measures the cash generating unit's recoverable amount. As the assumptions of expected future cash flows contained subjective judgement and involved a high degree of uncertainty which would cause a material impact on the valuation result, the valuation of goodwill impairment (including indefinite useful life trademarks) was identified as a key audit matter.

How our audit addressed the matter

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

A. Obtained an understanding and assessed the reasonableness of valuation of goodwill impairment policies and procedures, including collection of internal and external data, operating forecast and industry changes.

B. Obtained the external appraisal report on impairment valuation and performed the following procedures:

(a) We examined the external appraiser's qualification and assessed the independence, objectiveness and competence.

(b) We assessed that the valuation method used in the appraisal report was widely used and appropriate.

(c) We assessed the reasonableness of significant assumptions (including expected growth rate and discount rate) applied in the appraisal report.

Valuation of property, plant and equipment impairment

Description

Please refer to Note 4(18) for accounting policies on property, plant and equipment impairment, Note 5(3) for the uncertainty of accounting estimates and assumptions applied on property, plant and equipment, and Note 6(8) for details of property, plant and equipment.

As the 3C component department of the Group competed in a saturated market, the supply was in excess of demand and resulted in deficits. The management valued the impairment of property, plant and equipment which was the cash generating unit of the segment. The impairment valuation was mainly based on the report of an external appraiser commissioned by the Group. As such valuation involved many assumptions and involves subjective judgement and a high degree of uncertainty, and probably caused a significant effect on the valuation result, thus, we consider the valuation of property, plant and equipment impairment as a key audit matter.

How our audit addressed the matter

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

A. We obtained the assessment table of the cash generating unit with assets that had any indication that it may be impaired, understood and assessed relevant policies and processes on impairment valuation, including collection of internal and external data, long-term and short-term forecast and industry changes.

B. We obtained the external appraisal report and performed the following procedures:

(a) We examined the external appraiser's qualification and assessed the independence, objectiveness and competence.

(b) We assessed that the valuation method used in the appraisal report was widely used and appropriate.

(c) We assessed the reasonableness of significant assumptions (including expected growth rate and discount rate) applied in the appraisal report.

Assessment of allowance for inventory valuation losses

<u>Description</u>

Please refer to Note 4(12) for accounting policies on inventory, Note 5(2) for the uncertainty of accounting estimates and assumptions applied to inventory valuation, and Note 6(6) for details of inventory.

The Group is primarily engaged in the manufacturing and sale of electronic components and parts. As the electronic products' life cycles are relatively short and the market is highly competitive, there is a higher risk of incurring inventory valuation losses or obsolescence due to economic depression or an excess of supply over demand. The Company's inventories are measured at the lower of cost and net realisable value, and individually assessed for those inventories over a certain age in order to identify obsolete or slow-moving inventories.

The industry technology is rapidly changing, and the net realisable value involves subjective judgement resulting in an uncertainty when assessing the obsolete or slow-moving inventories. Given that the inventory and allowance for inventory valuation losses were material to the financial statements, the assessment of allowance for inventory valuation losses was identified 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:

A. Assessed the reasonableness of policies and procedures on allowance for inventory valuation losses based on our understanding of the Group's operation and industry.

B. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the effectiveness of the management of inventory.

C. Obtained an understanding of the policy on inventory aging report and the logic of inventory aging report program. Selected samples to verify the accuracy of inventory aging report.

D. Inspected inventory valuation basis adequacy and verified the selected samples' information, for instance, purchase price and sale price. Also recalculated and evaluated the reasonableness of inventory allowance basis in order to verify that the inventory was measured at the lower of cost and net realisable value.

Other matter – Using the work of other auditors

We did not audit the financial statements of certain consolidated subsidiaries, which reflect total assets of NT$ 277,482 thousand and NT$ 6,463,776 thousand as at December 31, 2018 and 2017, constituting 0.39% and 9.42% of consolidated total assets; total operating revenue of NT$ 1,159,063 thousand and NT$ 3,939,192 thousand, for the years ended December 31, 2018 and 2017, constituting 1.32% and 4.21% of consolidated total operating revenue, respectively. In addition, the balances of investment accounted for using equity method were NT$ 0 thousand and NT$ 3,015 thousand, both constituting 0.00% of consolidated total assets; comprehensive income (including share of profit (loss) of associates and joint ventures accounted for using equity method and share of other comprehensive income of associates and joint ventures accounted for using equity method) were NT$ 0 thousand and NT$ 452 thousand, for the years ended December 31, 2018 and 2017, constituting (0.00%) and (0.07%) of consolidated total profit or loss. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Cheng Uei Precision Industry Co., Ltd. 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 supervisors, 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 judgement and maintain professional skepticism throughout the audit. We also:

A. 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;

B. 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;

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

D. 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;
E. 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.
F. 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 group 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.

Lin, Se-Kai	Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 31, 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.

CHENG UEI PRECISION INDUSTRY CO.,LTD. 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)	$ 6,122,851	9	$ 7,631,619	11
1110	Financial assets at fair value through profit or loss - current	6(2), 12(3)(4)	-	-	318	-
1144	Financial assets carried at cost - current	12(4)	-	-	392	-
1147	Investments in debt instrument without active market - current	12(4)	-	-	8,536	-
1150	Notes receivable, net		24,412	-	56,248	-
1170	Accounts receivable, net	6(4) and 12(4)	12,683,440	18	15,178,517	22
1180	Accounts receivable, net - related parties	7	680,017	1	689,312	1
1200	Other receivables	6(5)	704,649	1	261,879	-
1210	Other receivables - related parties	7	68,020	-	83,086	-
1220	Current income tax assets	6(27)	26,968	-	2,467	-
130X	Inventories, net	6(6)	13,141,480	18	11,400,328	17
1410	Prepayments		1,706,883	2	1,778,352	3
1470	Other current assets	6(1) and 8	776,220	1	712,575	1
11XX	**TOTAL CURRENT ASSETS**		35,934,940	50	37,803,629	55
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	1,040,342	2	-	-
1543	Financial assets carried at cost-non-current	12(4)	-	-	628,114	1
1550	Investments accounted for under equity method	6(7)	4,504,413	6	6,000,123	9
1600	Property, plant and equipment, net	6(8)	21,962,875	31	19,529,163	29
1760	Investment property, net	6(9)	290,492	-	237,793	-
1780	Intangible assets, net	6(10)	2,879,178	4	1,004,301	1
1840	Deferred income tax assets	6(27)	339,023	1	135,537	-
1915	Prepayments for business facilities		2,007,432	3	817,258	1
1990	Other non-current assets, others	6(11) and 8	2,210,340	3	2,455,839	4
15XX	**TOTAL NON-CURRENT ASSETS**		35,234,095	50	30,808,128	45
1XXX	**TOTAL ASSETS**		$ 71,169,035	100	$ 68,611,757	100

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CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(12)	$ 1,458,024	2	$ 3,194,456	5
2110	Short-term notes and bills payable	6(13)	494,895	1	-	-
2130	Current contract liabilities	6(21) and 12(5)	624,287	1	-	-
2150	Notes payable		3,814	-	11,101	-
2170	Accounts payable		15,418,327	22	18,247,169	27
2180	Accounts payable - related parties	7	326,902	-	420,465	1
2200	Other payables	6(14)	6,137,324	9	6,195,233	9
2230	Current income tax liabilities	6(27)	219,284	-	308,904	-
2365	Current refund liabilities	12(5)	19,684	-	-	-
2399	Other current liabilities, others	6(15), 9 and 12(5)	1,224,087	2	996,590	1
21XX	**TOTAL CURRENT LIABILITIES**		25,926,628	37	29,373,918	43
	NON-CURRENT LIABILITIES					
2540	Long-term borrowings	6(15)	14,010,091	20	10,433,539	15
2570	Deferred income tax liabilities	6(27)	848,271	1	616,820	1
2600	Other non-current liabilities	6(7)(16)	2,436,811	3	2,467,814	4
25XX	**TOTAL NON-CURRENT LIABILITIES**		17,295,173	24	13,518,173	20
2XXX	**TOTAL LIABILITIES**		43,221,801	61	42,892,091	63
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Capital stock	6(17)				
3110	Common stock		5,123,269	7	5,123,269	7
	Capital reserve	6(18)				
3200	Capital surplus		9,430,462	13	9,468,665	14
	Retained earnings					
3310	Legal reserve		2,742,480	4	2,609,021	4
3320	Special reserve		1,508,296	2	665,206	1
3350	Unappropriated earnings	6(19)	4,980,234	7	6,338,675	9
	Other equity	6(20)				
3400	Other equity interest		(1,609,901)	(2)	(843,090)	(1)
	Treasury shares	6(17)				
3500	Treasury shares		(272,066)	-	-	-
31XX	**Equity attributable to owners of the parent**		21,902,774	31	23,361,746	34
36XX	**Non-controlling interests**		6,044,460	8	2,357,920	3
3XXX	**TOTAL EQUITY**		27,947,234	39	25,719,666	37
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**TOTAL LIABILITIES AND EQUITY**		$ 71,169,035	100	$ 68,611,757	100

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(21), 7 and 12(5)	$ 87,910,961	100	$ 93,624,086	100
5000	**Operating costs**	6(6)(25)(26) and 7	(80,250,155)	(91)	(84,135,451)	(90)
5900	**Gross profit**		7,660,806	9	9,488,635	10
	Operating expenses	6(25)(26)(31)				
6100	Sales and marketing expenses		(1,913,752)	(2)	(2,275,173)	(2)
6200	General and administrative expenses		(3,511,198)	(4)	(4,349,605)	(5)
6300	Research and development expenses		(2,115,035)	(3)	(2,062,892)	(2)
6450	Impairment loss	12(2)	5,703	-	-	-
6000	**Total operating expenses**		(7,534,282)	(9)	(8,687,670)	(9)
6900	**Operating income**		126,524	-	800,965	1
	Non-operating income and expenses					
7010	Other income	6(22) and 7	547,725	1	594,264	-
7020	Other gains and losses	6(23)	253,233	-	(302,935)	-
7050	Finance costs	6(24)	(290,555)	-	(254,692)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	246,111	-	396,910	-
7000	**Total non-operating income and expenses**		756,514	1	433,547	-
7900	**Income before income tax**		883,038	1	1,234,512	1
7950	Income tax expense	6(27)	(338,853)	-	(829,110)	(1)
8200	**Net income**		$ 544,185	1	$ 405,402	-

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income, net					
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(16)	($ 9,712)	-	($ 26,261)	-
8316	Unrealized gain on equity instrument at fair value through other comprehensive profit or loss	6(3)	(178,498)	(1)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(167,531)	-	4	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(2,279)	-	4,421	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		(358,020)	(1)	(21,836)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences arising on translation of foreign operations	6(20)	(394,135)	-	50,533	-
8362	Unrealised (loss) gain on valuation of available-for-sale financial assets	6(20) and 12(4)	-	-	(1,433,239)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that willbe reclassified to profit or loss		(39,354)	-	157,784	-
8399	Income tax related to components of other comprehensive income that willbe reclassified to profit or loss	6(27)	81,924	-	194,046	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(351,565)	-	(1,030,876)	(1)
8300	**Other comprehensive loss, net**		($ 709,585)	(1)	($ 1,052,712)	(1)
8500	**Total comprehensive loss for the year**		($ 165,400)	-	($ 647,310)	(1)
	Net income (loss) attributable to:					
8610	Shareholders of the parent		$ 608,100	1	$ 1,334,588	1
8620	Non-controlling interests		(63,915)	-	(929,186)	(1)
	Total		$ 544,185	1	$ 405,402	-
	Total comprehensive (loss) income attributable to:					
8710	Shareholders of the parent		($ 88,303)	-	$ 460,084	-
8720	Non-controlling interests		(77,097)	-	(1,107,394)	(1)
	Total		($ 165,400)	-	($ 647,310)	(1)
	Basic earnings per share (in dollars)					
9750	**Total basic earnings per share**	6(28)	$ 1.20		$ 2.60	
	Diluted earnings per share (in dollars)					
9850	**Total diluted earnings per share**	6(28)	$ 1.20		$ 2.60	

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. 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			Other equity interest						
	Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss from available-for-sale financial assets	Treasury shares	Total equity attributable to shareholders of the parent	Non-controlling interest	Total equity
Year ended December 31, 2017													
Balance at January 1		$ 5,123,269	$ 9,434,481	$ 2,529,745	$ 665,206	$ 5,874,326	($ 1,083,745)	$ -	$ 1,093,434	$ -	$ 23,636,716	$ 3,448,216	$ 27,084,932
Net income (loss) for the year		-	-	-	-	1,334,588	-	-	-	-	1,334,588	(929,186)	405,402
Other comprehensive loss for the year	6(20)	-	-	-	-	(21,725)	175,924	-	(1,028,703)	-	(874,504)	(178,208)	(1,052,712)
Total comprehensive income (loss)		-	-	-	-	1,312,863	175,924	-	(1,028,703)	-	460,084	(1,107,394)	(647,310)
Appropriation of 2016 earnings	6(19)												
Legal reserve		-	-	79,276	-	(79,276)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(768,490)	-	-	-	-	(768,490)	-	(768,490)
Difference between consideration and carrying amount of the subsidiaries acquired or disposed	6(18)	-	189	-	-	-	-	-	-	-	189	-	189
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method	6(18)	-	33,995	-	-	(748)	-	-	-	-	33,247	-	33,247
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	-	17,098	17,098
Balance at December 31, 2017		$ 5,123,269	$ 9,468,665	$ 2,609,021	$ 665,206	$ 6,338,675	($ 907,821)	$ -	$ 64,731	$ -	$ 23,361,746	$ 2,357,920	$ 25,719,666
Year ended December 31, 2018													
Balance at January 1		$ 5,123,269	$ 9,468,665	$ 2,609,021	$ 665,206	$ 6,338,675	($ 907,821)	$ -	$ 64,731	$ -	$ 23,361,746	$ 2,357,920	$ 25,719,666
Adjustments under new standards	3(1) and 12(4)	-	-	-	-	76,271	-	(11,540)	(64,731)	-	-	-	-
Balance at 1 January after adjustments		5,123,269	9,468,665	2,609,021	665,206	6,414,946	(907,821)	(11,540)	-	-	23,361,746	2,357,920	25,719,666
Net income (loss) for the year		-	-	-	-	608,100	-	-	-	-	608,100	(63,915)	544,185
Other comprehensive income (loss) for the year	6(19)	-	-	-	-	(5,863)	(386,589)	(303,951)	-	-	(696,403)	(13,182)	(709,585)
Total comprehensive loss		-	-	-	-	602,237	(386,589)	(303,951)	-	-	(88,303)	(77,097)	(165,400)
Appropriation of 2017 earnings	6(18)												
Legal reserve		-	-	133,459	-	(133,459)	-	-	-	-	-	-	-
Special reserve		-	-	-	843,090	(843,090)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,024,654)	-	-	-	-	(1,024,654)	-	(1,024,654)
Changes in ownership interests in subsidiaries	6(18)	-	140	-	-	(12,857)	-	-	-	-	(12,717)	-	(12,717)
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	6(29)	-	-	-	-	(22,148)	-	-	-	-	(22,148)	(12,241)	(34,389)
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method	6(18)	-	(38,343)	-	-	(741)	-	-	-	-	(39,084)	-	(39,084)
Change in non-controlling interest	6(29)	-	-	-	-	-	-	-	-	-	-	(10,931)	(10,931)
Impact of business combination	6(30)	-	-	-	-	-	-	-	-	-	-	3,786,809	3,786,809
Business combination, subsidiary's original equity investment becoming treasury shares	6(17)	-	-	-	-	-	-	-	-	(272,066)	(272,066)	-	(272,066)
Balance at December 31, 2018		$ 5,123,269	$ 9,430,462	$ 2,742,480	$ 1,508,296	$ 4,980,234	($ 1,294,410)	($ 315,491)	$ -	($ 272,066)	$ 21,902,774	$ 6,044,460	$ 27,947,234

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

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 883,038	$ 1,234,512
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (gain) loss on financial asset at fair value through profit and loss	6(2)	318	(318)
Depreciation (including investment property)	6(8)(9)(25)	2,954,109	3,115,796
Amortisation (including long-term prepaid rent amortisation)	6(10)(11)(25)	78,603	93,181
Gain on impairment loss recoveries	12(2)	(5,703)	-
Bad debts	6(4)	-	(191,740)
Interest expense	6(24)	290,555	254,692
Interest income	6(22)	(88,288)	(91,680)
Share of profit of associates accounted for using the equity method	6(7)	(246,111)	(396,910)
Loss on disposal of property, plant and equipment	6(23)	189,077	126,476
Gain on disposal of investment	6(23)	(482,944)	(1,482,153)
Impairment loss-goodwill	6(10)(23)	85,691	1,561,162
Financial asset impairment loss		-	30,432
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		31,836	9,405
Accounts receivable		3,803,274	274,159
Accounts receivable from related parties		9,295	432,988
Other receivables		22,873	31,468
Inventories		(781,861)	(2,218,519)
Prepayments		230,936	(592,801)
Other current asset		92,307	122
Other non-current assets		(636,674)	36,507
Changes in operating liabilities			
Contract liabilities		624,287	-
Notes payable		(7,287)	6,608
Accounts payable		(2,828,842)	4,623,346
Accounts payables to related parties		(93,563)	65,623
Other payables		276,048	(443,619)
Refund liabilities		19,363	-
Other current liabilities		(227,994)	(449,745)
Other non-current liabilities		41,248	360,014
Cash inflow generated from operations		4,233,591	6,389,006
Interest received		88,288	91,680
Dividend received		324,577	232,491
Interest paid		(293,527)	(255,738)
Income tax paid		(479,496)	(734,616)
Net cash flows from operating activities		3,873,433	5,722,823

(Continued)

CHENG UEI PRECISION INDUSTRY CO.,LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at fair value through other comprehensive income	12(3)	($ 165,075)	$ -
Proceeds from disposal of available - for - sale financial assets		-	1,638,605
Acquisition of subsidiary and other asset (excluding cash)	6(30)	2,573,125	-
Proceeds from acquisition of long - term equity investment - non - subsidiaries		(158,334)	-
Disposal of subsidiary (excluding cash)	6(32)	(214,843)	-
Disposal of equity investments		-	11,011
Acquisitions of property, plant and equipment	6(32)	(5,384,825)	(3,267,675)
Proceeds from disposal of property, plant and equipment	6(8)	321,030	56,156
Acquisitions of intangible assets	6(10)	(72,400)	(35,348)
Proceeds from disposal of intangible assets	6(10)	363	1,903
Increase in long-term prepaid rent		-	(286,746)
Other receivables from related parties		15,066	237,106
Increase in current assets		(26,936)	(121,483)
Increase on prepaid investments	6(7)	(219,718)	-
Increase in prepayments for business facilities		(818,543)	(229,080)
Net cash flows used in investing activities		(4,151,090)	(1,995,551)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short - term borrowings	6(33)	(3,654,810)	(5,543,553)
Increase in long-term borrowings	6(33)	7,695,730	10,999,925
Repayment of long - term borrowings	6(33)	(4,762,142)	(7,338,127)
Increase in short-term notes payable		494,895	-
Cash dividends paid	6(19)	(1,024,654)	(768,490)
Net cash flows used in financing activities		(1,250,981)	(2,650,245)
Effect of change in exchange rates		19,870	54,158
Net (decrease) increase in cash and cash equivalents		(1,508,768)	1,131,185
Cash and cash equivalents at beginning of year	6(1)	7,631,619	6,500,434
Cash and cash equivalents at end of year	6(1)	$ 6,122,851	$ 7,631,619

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

CHENG UEI PRECISION INDUSTRY CO.,LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIALSTATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 29, 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
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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

A. IFRS 9, ‘Financial instruments’

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

(d) 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. IFRS 15, ‘Revenue from contracts with customers’ and amendments

(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. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

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

(i) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as other current liabilities), but were previously presented as accounts receivable-allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to $54,284.

(ii) Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as other current liabilities in the balance sheet. As of January 1, 2018, the balance amounted to $397,749.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

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

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.

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. Accordingly, on January 1, 2019 , the Group will have to increase 'right-of-use asset' by $1,740,457 , increase lease liability by $539,930, and decrease long-term prepayment rent by $1,200,527.

(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 "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 FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Available-for-sale financial assets measured at fair value.

c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	
The Company	Foxlink Technology Ltd. (Foxlink Tech)	Holding company	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	
The Company	Suntain Co., Ltd. (Suntain)	Electroplating processing services	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	100	100	
CU	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	83.17	83.17	Note 15
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	44.78	44.78	Note 7
CU	Solteras Limited	General investments holding	100	100	
CU	Fu Shi Neng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	
CU	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	72	72	Note 8
CU	Fugang Electric (YANCHENG) Co., Ltd. (FG YANCHENG)	Manufacture of electronic telecommunication components	80	80	
CU	Fuqiang Electric (YANCHENG) Co., Ltd. (FQ YANCHENG)	Manufacture of electronic telecommunication components	100	100	
CU	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	32.86	67	Note 10
CU	Kunshan Fugang Investment Co., Ltd. (Kunshan Fugang Investment)	General investments holding	100	100	
CU	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	92.59	99	Note 3, 9
CU	Fugang Electric (XuZhou) Co., Ltd. (FG XuZhou)	Manufacture of electronic telecommunication components	100	-	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	
FTJ	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	Manufacture of electronic telecommunication components	55.22	55.22	Note 7
FTJ	Fu Gang Electronic (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	28	28	Note 8
FTJ	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	50.71	-	Note 1, 10
KAFE	Suzhou Keyu Rui Automobile Technology Co.,Ltd. (Keyu Rui)	Manufacture	55.56	-	Note 1
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	
CULINK	FOXLINK TECHNICAL INDIA PRIVATE LIMITED (FOXLINK INDIA)	Manufacture of electronic telecommunication components	7.41	1	Note 3, 9
CULINK	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	0.73	-	Note 1, 11
CULINK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORY SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	1	-	Note 1
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	
Kunshan Fugang Investment	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	16.83	16.83	Note 15
Kunshan Fugang Investment	Fuqiang Electric (MAANSHAN) Co., Ltd. (FQ MAANSHAN)	Manufacture of electronic telecommunication components	100	100	
Kunshan Fugang Investment	Fugang Electric (MAANSHAN) Co., Ltd. (FG MAANSHAN)	Manufacture of electronic telecommunication components	16.43	16	Note 10

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
FII	Link Media Co., Ltd. (LM)	Manufacture of electronic telecommunication components	100	100	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	
FII	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	-	9.22	Note 5, 14
FII	Shin Ke International Co., Ltd. (Shin Ke)	Manufacture of electronic telecommunication components	100	100	
FII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	23.67	-	Note 1,14
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	
WCTHK	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	
Du Precision	Ce Link International Ltd. (CELINK)	Manufacture of electronic telecommunication components	100	100	
SOLTERAS LIMITED	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	
FUII	VA Product Inc. (VA)	Manufacture of electronic telecommunication components	75.63	75.63	
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	
FUII	Shinfox Co., Ltd. (Shinfox)	Mechanical installation and piping engineering	57.17	57.17	
FUII	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	5.97	-	Note 1,14
Zhi De Investment	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	-	33.34	Note 5, 14
Zhi De Investment	FIT Holding Co., Ltd. (FIT Holding)	General investments holding	8.55	-	Note 1,14
Shinfox	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	10.71	10.71	
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	40	40	Note 6
Shinfox	Kinmen Gas Co., Ltd. (Kinmen Gas)	Energy service management	100	100	
Shinfox	KUNSHAN JUIWEI INFO TECH CO.,LTD. (KUNSHAN JUIWEI)	Supply chain finance energy service management	100	100	Note 3
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	
PROCONN	Byford International Ltd. (BYFORD)	General international trade	100	100	
PROCONN	Media Universe Inc. (MEDIA UNIVERSE)	General international trade	100	100	
ADVANCE ELECTRONIC	Proconn Technology Co., Ltd. (PROCONN)	General investments holding	100	100	
ADVANCE ELECTRONIC	Smart Technology International Ltd. (SMART)	General investments holding	100	100	
PROCONN	Proconn Electron Technology (Shenzhen) Co., Ltd. (Proconn ShenZhen)	Manufacture of electronic telecommunication components	100	100	
SMART	SUZHOU YUHANG ELECTONICS TECH. CO., LTD.	Manufacture of electronic telecommunication components	100	100	
Studio A	Jing Sheng Technology Co., Ltd. (Jing Sheng)	Sale of electronic telecommunication components	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	100	58	Note 12
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
Studio A Hong Kong	Studio A Macau Limited (Studio A Macau)	Sale of electronic telecommunication components	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd. (KFET)	Sale of electronic telecommunication components	51	51	
KFET	Shanghai Fugang Electric Trading Co., Ltd. (SFET)	Sale of electronic telecommunication components	100	100	
KFET	Kunshan Fu Shi Yu Trading Co., Ltd. (KFSY)	Sale of electronic telecommunication components	100	100	
FIT Holding	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	100	-	Note 1, 14
FIT Holding	Foxlink Image Technology Co., Ltd. (Foxlink Image)	Manufacture and sale of image scanners and multifunction printers	100	-	Note 1, 14
FIT Holding	Glory Science Co., Ltd. (Glory Science)	Manufacture and sale of optical lens components and other products	100	-	Note 1, 14
PQI	Power Quotient International (H.K.) Co., Ltd. (PQI H.K.)	Sale of electronic telecommunication components	100	100	
PQI	Pqi Japan Co., Ltd. (PQI JAPAN)	Sale of electronic telecommunication components	100	100	
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	
PQI	Power Sufficient International Co., Ltd. (PSI)	Sale of medical instruments	100	100	
PQI	Foxwell Energy Corporation Ltd. (Foxwell Energy)	Energy service management	89.29	89.29	
SYSCOM	Power Quotient International (SHANGHAI) Co., Ltd. (PQI SHANGHAI)	Sale of electronic telecommunication components	-	100	Note 2
SYSCOM	Pqi Corporation (PQI USA)	Sale of electronic telecommunication components	100	100	
SYSCOM	FOXLINK POWERBANK INTERNATIONAL TECHNOLOGY PRIVATE LIMITED (FOXLINK POWERBANK)	Manufacture of electronic telecommunication components	99	-	Note 1, 11

Investor	Subsidiary	Main activity	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	
APIX	Sinocity Industries Limited (Sinocity)	Sale of electronic telecommunication components	100	100	Note 4
APIX	Perennial Ace Limited (Perennial)	Specialized investments holding	100	100	
Foxwell Energy	Zhangyuan Wind Power Co., Ltd. (Zhangyuan)	Energy service management	100	-	Note 1
Foxwell Energy	Beiyuan Wind Power Co., Ltd. (Beiyuan)	Energy service management	100	-	Note 1
Sinocity Industries	DG LIFESTYLE STORE LIMITED (DG)	Sale of 3C products	100	100	Note 4
Perennial	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.50	24.50	
PQI YANCHENG	Kunshan Oderea Trading Co., Ltd. (Kunshan Oderea)	Sale of 3C products	-	100	Note 2
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co.,Ltd.(Jiangsu Foxlink)	Manufacture of electronic telecommunication components	100	100	
Jiangsu Foxlink	Donghai County Cheng Uei Travel Industry Co., Ltd. (Donghai County)	Manufacture of electronic telecommunication components	-	100	Note 3, 13
Foxlink Image	ACCU-IMAGE ECHNOLOGY LIMITED(AITL)	Manufacture and sale of image scanners and multifunction printers	100	-	Note 1
Foxlink Image	GLOBAL IMAGE TECHNOLOGY LIMITED (GITL)	Reinvestment business	100	-	Note 1
Foxlink Image	GLOBAL SMART TECHNOLOGY LIMITED(GSTL)	Reinvestment business	100	-	Note 1
GSTL	Dong Guan Fu Zhang Precision Industry Co., Ltd. (DGFZ)	Mould development and moulding tool manufacture	100	-	Note 1
AITL	GLOBAL OUTLOOK INVESTMENTS LIMITED (GOI)	Reinvestment business	100	-	Note 1
AITL	GLOBAL ADVANCE INVESTMENTS CORP.(GAI)	Reinvestment business	100	-	Note 1
AITL	POWER CHNNEL LIMITED (POWER)	Reinvestment business	35.75	-	Note 1
AITL	Dongguan Fu Wei Electronics Co., Ltd. (Dongguan Fu Wei)	Manufacture and sale of image scanners and multifunction printers	100	-	Note 1
GAI	Kunshan Fushijing Electronics Co., Ltd. (KFE)	Manufacture of key components such as image lens modules	100	-	Note 1

Investor	Subsidiary	Main activity	Ownership(%) December 31, 2018	Ownership(%) December 31, 2017	Description
GITL	Wei Hai Fu Kang Electric Co., Ltd. (WHFK)	Manufacture and sale of parts and moulds of photocopiers and scanners	100	-	Note 1
GOI	Dong Guan Han Yang Computer Limited (DGHY)	Manufacture of image scanners and multifunction printers and investment of real estate	100	-	Note 1
Glory Science	GLORY TEK CO.,LTD (GLORY TEK)	General investments holding	100	-	Note 1
GLORY TEK	GLORY OPTICS CO.,LTD (GLORY OPTICS)	Sales agent	100	-	Note 1
GLORY TEK	GLORY TEK(SAMOA)CO.,LTD (GLORY TEK SAMOA)	General investments holding	100	-	Note 1
GLORY TEK	GLORYTEK SCIENCE INDIA PRIVATE LIMITED (GLORYTEK SCIENCE INDIA)	Manufacture and sale of the components of communication and consumer electronics	99	-	Note 1
GLORY TEK SAMOA	GLORY Photovoltaic (Suzhou) Co., Ltd (GLORY Suzhou)	Production and processing and sale of optical lens components and other products	100	-	Note 1
GLORY TEK SAMOA	Glory Optics (Yancheng) Co., Ltd. (Glory Yanchang)	Production and processing and sale of optical lens components and other products	20	-	Note 1
GLORY OPTICS	Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Production and processing and sale of optical lens components and other products	100	-	Note 1
Yao Wei	Yancheng Yao Wei Technology Co., Ltd. (YYWT)	Production and processing and sale of optical lens components and other products	100	-	Note 1
GLORY Suzhou	Glory Optics (Yancheng) Co.Ltd. (GOYC)	Production and processing and sale of optical lens components and other products	80	-	Note 1

Note 1: Investment or incorporation began in 2018.

Note 2: Dissolved or liquidated in 2018.

Note 3: Investment or incorporation began in 2017.

Note 4: Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date of March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

Note 5: The Group hold 42.56% of equity shares in PQI, however, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over PQI.

Note 6: The Group holds 40% of shares in SHINFOX ENERGY. However, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.

Note 7: FTJ has participated in KAFE's capital increase on December 29, 2017 and held 55.22% shares in KAFE. FTJ along with CU hold 100% of shares in KAFE.

Note 8: FTJ has participated in FENC's capital increase on December 29, 2017 and held 28% shares in FENC. FTJ along with CU hold 100% of shares in FENC.

Note 9: CU has participated in Foxlink India's capital increase on December 29, 2017, April 16, 2018 and May 25, 2018 and CULINK has participated in Foxlink India's capital increase on September 19, 2018. After the capital increment, Foxlink India became a wholly-owned subsidiary of CU and CULINK with 92.59% and 7.41% ownership, respectively.

Note 10: FTJ has participated in FG Maanshan's capital increase on September 22, 2018 and held 50.71% shares in FG Maanshan. FTJ along with Kunshan Fugang Investment hold 100% of shares in FG Maanshan.

Note 11: SYSCOM has participated in FOXLINK POWERBANK's capital increase in January and September, 2018. Syscom along with CULINK hold 100% of shares in FOXLINK POWERBANK.

Note 12: On August 24, 2018, Studio A acquired an additional 42% ASHOP issued shares for a cash consideration of $67,429. After the acquisition, Studio A wholly owned ASHOP. For information on transactions with non-controlling interest, please refer to Note 6(29).

Note 13: On September 3, 2018, the Group lost its control over the subsidiary, Donghai County, as a result of the 100% stock disposal. The Group recognised profit of $54,139 under 'other gains and losses' in the statement of comprehensive income. For information on cash flows of the subsidiary, please refer to Note 6 (32).

Note 14: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date. The Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over FIT Holding.

Note 15: CU has participated in DGFQ's capital increase on January 4 and September 21, 2017 and held 83.17% shares in DGFQ. CU along with Kunshan Fugang Investment hold 100% of shares in DGFQ.

C. Subsidiaries not included in the consolidated financial statements:

			Ownership(%)		
Investor	Subsidiary	Main activity	December 31, 2018	December 31, 2017	Description
Foxlink International Investments Ltd. (FII)	World Circuit Technology Co., Ltd (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	Note 1
Studio A INC. (Studio A)	Tayih Digital Technology Co., Ltd (TAYIH)	Manufacture of electronic telecommunication components	60	60	Note 2
CU	KLEINE DEVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	-	Note 3
Foxlink Image Technology Co.,Ltd.	KLEINE EVELOPMENTS LIMITED	Manufacture and sale of Magnesium products	50	-	Note 3

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 3: On December 28, 2015, the Board of Directors has resolved the liquidation of the company, KLEINE. The liquidation process is still undergoing. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity and DG are subsidiaries of PQI in Hong Kong and Macau, respectively, with balance sheet date on March 31. For the preparation of consolidated financial statements, PQI had required Sinocity and DG as consolidated entities to prepare financial statements with balance sheet date of December 31 to conform with the balance sheet date of the Group.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2018 and 2017, the non-controlling interest amounted to $6,044,460 and $2,357,920 respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
PQI	Taiwan	$ -	-	$ 1,639,969	57.44%
FIT Holding	Taiwan	5,468,297	61.81%	-	-
		$ 5,468,297		$ 1,639,969	

Summarized financial information of the subsidiaries:

Balance sheets

	FIT Holding	PQI
	December 31, 2018	December 31, 2017
Current assets	$ 6,730,409	$ 2,346,132
Non-current assets	8,809,068	3,697,303
Current liabilities	(4,999,326)	(2,051,198)
Non-current liabilities	(3,298,711)	(1,482,022)
Total net assets	$ 7,241,440	$ 2,510,215

Statements of comprehensive income

	FIT Holding	PQI
	2018	2017
Revenue	$ 3,284,200	$ 2,664,267
Loss before income tax	(131,273)	(2,049,240)
Income tax benefit (expense)	(35,466)	5,317
(Loss) profit for the period from continuing operations	166,739	(2,054,557)
Loss from non-controlling interest	(47)	-
Loss profit for the period	(166,692)	(2,054,728)
Other comprehensive loss (net of tax)	(82,170)	(247,615)
Total comprehensive loss for the period	($ 248,909)	($ 2,302,343)
Comprehensive (loss) income attributable to non-controlling interest	($ 451)	$ 171
Dividends paid to non-controlling interest	$ -	$ -

Statements of cash flows

	FIT Holding 2018	PQI 2017
Net cash (used in) provided by operating activities	($ 57,204)	216,458
Net cash (used in) provided by investing activities	1,717,133	(732,898)
Net cash provided by financing activities	183,531	819,906
Effect of exchange rates on cash and cash equivalents	(217,028)	(37,265)
Increase in cash and cash equivalents	1,626,432	266,201
Cash and cash equivalents, beginning of period	1,135,750	1,064,871
Cash and cash equivalents, end of period	$ 2,762,182	$ 1,331,072

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

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

d) All 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 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 a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) <u>Classification of current and non-current items</u>

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 pay off 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 paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off 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 and cash equivalents

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

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

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 trade 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) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

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

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

(10) 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.

(11) Derecognition of financial assets

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

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

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

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on actual capacity). 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.

(13) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

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

Buildings and structures	20~50 year(s)
Machinery and equipment	1~5 year(s)
Office equipment	3 year(s)
Miscellaneous equipment	3~8 year(s)

(15) Leased assets/ leases (lessee)

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

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 ~ 50 years.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Trademark right (indefinite useful life)

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortised cost where no impairment loss was recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. Goodwill for impairment testing purpose is allocated to cash generating units. This allocation is identified based on operating segments. Goodwill is allocated to a cash generating unit or a group of cash generating units that expects to benefit from business combination that will produce goodwill.

(19) Borrowings

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

(20) 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 subsequentlymeasured at initial invoice amount as the effect of discounting is immaterial.

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

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

B. Financial liabilities 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.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

(25) Employee benefits

A. Pensions

a) Defined contribution plans

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

b) Defined benefit plans

i. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

B. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation 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.

(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 charge is calculated on the basis of the tax laws 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 financial statements. 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 income 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 income 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 income 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

A. 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.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; 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 electronic telecommunication component products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group 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 Group 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 goods is often sold with volume discounts based on aggregate sales over a 12-month period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days, which is consistent with market practice.

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

(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 related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(31) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

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

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

As of December 31, 2018, the Group's goodwill amount is \$2,273,898. Please refer to Note 6(10) for detailed information.

B. Evaluation of inventories

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

As of December 31, 2018, the Group's inventory book value is \$13,141,480. Please refer to Note 6(6) for detailed information.

C. Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2018, the Group's property, plant and equipment amount is \$21,962,875. Please refer to Note 6(8) for detailed information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,2018	December 31,2017
Cash on hand and revolving funds	$ 104,851	$ 72,475
Checking accounts and demand deposits	4,055,986	4,833,300
Cash equivalents		
Time deposits	2,656,272	3,423,126
Short-term notes and bills	29,980	-
	6,847,089	8,328,901
Less: Shown as "other current assets"		
- time deposits over three months	(350,415)	(479,416)
- restricted assets	(373,823)	(217,866)
Total	$ 6,122,851	$ 7,631,619

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. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

Item	December 31, 2018
Current items:	
Financial liabilities mandatorily measured at fair value through profit or loss	
Forward foreign currency contract	$ -

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	2018
Financial liabilities mandatorily measured at fair value through profit or loss	
Forward foreign currency contract	$ 1, 024

The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

B. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

D. The information on financial assets and liabilities at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

Items	December 31, 2018
Non-current items:	
Equity instruments	
Unlisted stocks	$ 1,218,840
Valuation adjustment	(178,498)
Total	$ 1,040,342

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $1,040,342 as at December 31, 2018.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 178,498)

C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

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

E. The information on financial assets at fair value through other comprehensive income as of December 31, 2017 is provided in Note 12(4).

(4) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 12,850,558	$ 15,331,978
Less: Allowance for sales returns and discounts	-	(54,284)
Less: Allowance for uncollectible accounts	(167,118)	(99,177)
	$ 12,683,440	$ 15,178,517

A. The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 11,868,383	$ 14,484,923
Up to 30 days	799,013	620,448
31 to 120 days	78,887	127,430
Over 120 days	104,275	99,177
	$ 12,850,558	$ 15,331,978

The ageing analysis is based on the days past due.

B. The quality information of accounts receivable is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically whether the credit ranking of existing customers are appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

   The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

C. The Group does not hold any collateral as security.

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

(5) Transfer of financial assets

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

December 31, 2018						
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Collateral Provided
Mega International Commercial Bank	$ 674,280	$ 674,280	$ 1,535,750	$ 606,852	3.20%	None
Bank of Taiwan	1,985,246	1,985,246	4,607,250	1,786,720	2.83%~3.65%	None

December 31, 2017						
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Collateral Provided
Mega International Commercial Bank	$ 1,029,773	$ 1,029,773	$ 1,488,000	$ 926,795	2.20%~2.26%	None

(6) Inventories

	December 31,2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 4,609,940	($ 236,367)	$ 4,373,573
Work in process	554,205	(13,225)	540,980
Finished goods (including merchandise)	8,647,799	(503,785)	8,144,014
Inventory in transit	82,913	-	82,913
	$ 13,894,857	($ 753,377)	$ 13,141,480

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 3,724,607	($ 219,712)	$ 3,504,895
Work in process	656,921	(3,732)	653,189
Finished goods (including merchandise)	7,583,993	(342,787)	7,241,206
Inventory in transit	1,038	-	1,038
	$ 11,966,559	($ 566,231)	$ 11,400,328

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2018	2017
Cost of inventories sold	$ 80,181,374	$ 84,202,834
Loss on decline in market value	188,271	102,468
Others (revenue from sale of scraps)	(119,490)	(169,851)
	$ 80,250,155	$ 84,135,451

(7) Investments accounted for under the equity method

Investee	December 31, 2018 Amount	December 31, 2018 Ownership percentage (%)	December 31, 2017 Amount	December 31, 2017 Ownership percentage (%)
Central Motion Picture Corporation	$ 1,850,187	17.60%	$ 1,788,712	13.60%
Glory Science Co., Ltd.	-	-	1,107,524	41.50%
Well Shin Technology Co., Ltd.	1,143,635	18.84%	1,092,624	18.84%
Foxlink Image Technology Co., Ltd.	-	-	994,603	30.47%
Sharetronic Data Technology Co., Ltd.	648,878	26.58%	537,274	29.46%
Castles Technology Co., Ltd.	206,254	19.39%	288,914	19.39%
Dongguan Banrin Robot Technology Co., Ltd.	129,433	31.03%	-	-
CMPC Cultural & Creative Co., Ltd.	123,285	42.86%	122,828	42.86%
Kleine Developments Ltd.	132,911	100.00%	67,644	50.00%
Tegna Electronics Private Limited	39,541	30.00%	-	-
Wellgen Medical Co., Ltd.	10,571	20.27%	-	-
Microlink Communications Inc.	(22,903)	21.43%	(23,472)	21.43%
	4,261,792		5,976,651	
Add : Current prepayments for investments -SINOBEST BROTHERS HK	219,718		-	
Credit balance of long-term equity investments reclassified to other non-current liabilities-others	22,903		23,472	
Total	$ 4,504,413		$ 6,000,123	

A. Associates

(a) The basic information of the associates that are material to the Group is summarized below:

Company name	Principal place of business	Shareholding ratio December 31, 2018	Shareholding ratio December 31, 2017	Nature of Relationship	Methods of measurement
Central Motion Picture Corporation	Taiwan	17.60%	13.60%	Note 2	Equity method
Glory Science Co., Ltd.	Taiwan	Note 1	41.50%	Hold more than 20% of voting rights	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	Note 2	Equity method
Foxlink Image Technology Co., Ltd.	Taiwan	Note 1	30.47%	Hold more than 20% of voting rights	Equity method

Note 1: Please refer to Note 6 (30) for detail information.

Note 2: As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd. The Group is assessed to have significant influence.

(b) Summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corp.	
	December 31, 2018	December 31, 2017
Current assets	$ 293,856	$ 1,389,891
Non-current assets	17,044,430	17,193,302
Current liabilities	(1,473,777)	(230,523)
Non-current liabilities	(3,873,715)	(5,206,680)
Total net assets	$ 11,990,794	$ 13,145,990
Share in associate's net assets	$ 1,850,187	$ 1,788,712
Goodwill	-	-
Carrying amount of the associate	$ 1,850,187	$ 1,788,712

	Well Shin Technology Co., Ltd.	
	December 31, 2018	December 31, 2017
Current assets	$ 5,408,176	$ 5,485,432
Non-current assets	2,904,072	2,817,208
Current liabilities	(2,008,768)	(2,318,693)
Non-current liabilities	(439,282)	(390,606)
Total net assets	$ 5,864,198	$ 5,593,341
Share in associate's net assets	$ 1,107,046	$ 1,056,035
Goodwill	36,589	36,589
Carrying amount of the associate	$ 1,143,635	$ 1,092,624

Statement of comprehensive income

	Central Motion Picture Corporation	
	Years ended December 31,	
	2018	2017
Revenue	$ 567,577	$ 563,489
Profit for the period from continuing operations	$ 85,641	$ 115,773
Other comprehensive income, net of tax	-	-
Total comprehensive income	$ 85,641	$ 115,773
Dividends received from associates	$ 15,000	$ 12,000

	Well Shin Technology Co., Ltd.	
	Years ended December 31,	
	2018	2017
Revenue	$ 5,522,112	$ 4,986,954
Profit for the period from continuing operations	$ 709,301	$ 528,888
Other comprehensive loss, net of tax	(60,025)	(85,088)
Total comprehensive income	$ 649,276	$ 443,800
Dividends received from associates	$ 71,304	$ 89,130

(c) The carrying amount of the Group's interests in all individually immaterial associates (Note) and the Group's share of the operating results are summarized below:

As of December 31, 2018 and 2017, the carrying amount of the Group's individually immaterial associates amounted to $1,267,970 and $993,188, respectively.

	Years ended December 31,	
	2018	2017
(Loss) Profit for the period from continuing operations	($ 87,399)	$ 280,264
Total comprehensive (loss) income	($ 87,399)	$ 280,264

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink and Kleine, Banrin, Wellgen, TEGNA.

(d) The fair value of the Group's material associates with quoted market prices is as follows:

	December 31, 2018	December 31, 2017
Glory Science Co., Ltd.	$ -	$ 2,024,999
Well Shin Technology Co., Ltd.	1,140,860	1,287,924
Foxlink Image Technology Co.,Ltd.	-	1,024,452
	$ 1,140,860	$ 4,337,375

E. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to $150,000 thousand. As of September 30, 2018, uncollected amount was $143,000 thousand (shown as 'notes receivable') and accrued impairment loss was $143,000 thousand.

F. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company had accrued an additional loss amounting to $170,136 within the scope of legal obligations. As of November 14, 2018, the liquidation process is still ongoing.

G. ASHOP CO., LTD (Studio A Inc.'s subsidiary) received the loan granted by the Company that amounted to US$7,000,000, which was endorsed by Studio A Inc.. Studio A Inc. has joint and several liability if there is any loss on the loan. As of December 31, 2017, the payment has not been settled at maturity, and there are objective evidences to prove that the loss is incurred based on the Company's assessment. Studio A Inc. has provided endorsement/guarantee loss in the amount of $87,494 within the scope of legal obligations in 2017.

H. As of December 31, 2018, the registration of the Group’s prepayment for investments-SINOBEST BROTHERS LIMITED amounting to $219,718 has not yet been completed.

I. Central Motion Picture Corporation is a litigating party contesting the decision No. 107007 rendered by Ill-gotten Party Assets Settlement Committee on October 9, 2018. Please refer to Note 9 (2) for details on the lawsuit.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in -progress	Total
At January 1, 2018							
Cost	$ 412,428	$ 14,534,259	$ 6,865,734	$ 361,552	$ 5,500,785	$ 878,873	$ 28,553,631
Accumulated depreciation and impairment	-	(2,640,474)	(3,240,495)	(227,670)	(2,915,829)	-	(9,024,468)
	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163
2018							
Opening net book amount	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163
Additions	-	526,997	938,271	110,496	1,015,395	2,704,298	5,295,457
Acquired from business combinations	-	622,241	1,074,680	4,611	17,182	-	1,718,714
Disposals	-	(8,149)	(381,749)	(11,144)	(109,065)	-	(510,107)
Disposal of subsidiary	-	-	-	(434)	(6,055)	(1,100,786)	(1,107,275)
Reclassifications	-	(148,293)	1,293,969	21,759	-	(774,636)	392,799
Depreciation charge	-	(357,408)	(1,577,742)	(84,821)	(911,890)	-	(2,931,861)
Net exchange differences	-	(211,236)	(56,693)	(1,294)	(47,832)	(106,960)	(424,015)
Closing net book amount	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875
At December 31, 2018							
Cost	$ 412,428	$ 15,681,815	$ 9,383,027	$ 412,958	$ 6,549,376	$ 1,600,789	$ 34,040,393
Accumulated depreciation and impairment	-	(3,363,878)	(4,467,052)	(239,903)	(4,006,685)	-	(12,077,518)
	$ 412,428	$ 12,317,937	$ 4,915,975	$ 173,055	$ 2,542,691	$ 1,600,789	$ 21,962,875

	Land	Buildings and structures	Machinery and equipment	Office equipment	Others	Construction-in-progress	Total
At January 1, 2017							
Cost	$ 412,428	$ 12,336,290	$ 7,998,038	$ 396,124	$ 6,269,324	$ 2,105,071	$ 29,517,275
Accumulated depreciation and impairment	-	(2,344,630)	(3,823,103)	(242,205)	(3,061,672)	-	(9,471,610)
	$ 412,428	$ 9,991,660	$ 4,174,935	$ 153,919	$ 3,207,652	$ 2,105,071	$ 20,045,665
2017							
Opening net book amount	$ 412,428	$ 9,991,660	$ 4,174,935	$ 153,919	$ 3,207,652	$ 2,105,071	$ 20,045,665
Additions	-	27,224	1,297,840	76,927	436,136	1,122,622	2,960,749
Disposals	-	(38,604)	(64,779)	(15,496)	(63,753)	-	(182,632)
Reclassifications	-	2,336,912	-	5,488	-	(2,330,605)	11,795
Depreciation charge	-	(322,228)	(1,730,713)	(85,342)	(955,339)	-	(3,093,622)
Net exchange differences	-	(101,179)	(52,044)	(1,614)	(39,740)	(18,215)	(212,792)
Closing net book amount	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163
At December 31, 2017							
Cost	$ 412,428	$ 14,534,259	$ 6,865,734	$ 361,552	$ 5,500,785	$ 878,873	$ 28,553,631
Accumulated depreciation and impairment	-	(2,640,474)	(3,240,495)	(227,670)	(2,915,829)	-	(9,024,468)
	$ 412,428	$ 11,893,785	$ 3,625,239	$ 133,882	$ 2,584,956	$ 878,873	$ 19,529,163

The property, plant and equipment were not pledged to others as collaterals.

(9) Investment property

	Land	Buildings and structures	Total
At January 1, 2018			
Cost	$ 65,923	$ 512,762	$ 578,685
Accumulated depreciation and impairment	-	(340,892)	(340,892)
	$ 65,923	$ 171,870	$ 237,793
2018			
Opening net book amount	$ 65,923	$ 171,870	$ 237,793
Acquired from business combinations	117,153	14,685	131,838
Reclassifications	-	(58,658)	(58,658)
Depreciation charge	-	(22,248)	(22,248)
Net exchange differences	-	1,767	1,767
Closing net book amount	$ 183,076	$ 107,416	$ 290,492
At December 31, 2018			
Cost	$ 183,076	$ 212,948	$ 396,024
Accumulated depreciation and impairment	-	(105,532)	(105,532)
	$ 183,076	$ 107,416	$ 290,492

	Land	Buildings and structures	Total
At January 1, 2017			
Cost	$ 65,923	$ 552,918	$ 618,841
Accumulated depreciation and impairment	-	(344,694)	(344,694)
	$ 65,923	$ 208,224	$ 274,147
2017			
Opening net book amount	$ 65,923	$ 208,224	$ 274,147
Reclassifications	-	(6,307)	(6,307)
Depreciation charge	-	(22,174)	(22,174)
Net exchange differences	-	(7,873)	(7,873)
Closing net book amount	$ 65,923	$ 171,870	$ 237,793
At December 31, 2017			
Cost	$ 65,923	$ 512,762	$ 578,685
Accumulated depreciation and impairment	-	(340,892)	(340,892)
	$ 65,923	$ 171,870	$ 237,793

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

	Years ended December 31, 2018	Years ended December 31, 2017
Rental income from the lease of the investment property	$ 28,714	$ 33,163
Direct operating expenses arising from the investment property that generated rental income in the period	$ 22,598	$ 22,174

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at December 31, 2018 and 2017 was $560,350 and $859,504, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby. Market prices on December 31, 2018 and 2017 did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collaterals.

(10) Intangible assets

	Trademark Rights	Patents	Goodwill	Others	Total
At January 1, 2018					
Cost	$ 49,202	$ -	$ 2,476,388	$ 183,311	$ 2,708,901
Accumulated amortisation and impairment	-	-	(1,561,162)	(143,438)	(1,704,600)
	$ 49,202	$ -	$ 915,226	$ 39,873	$ 1,004,301
2018					
Opening net book amount	$ 49,202	$ -	$ 915,226	$ 39,873	$ 1,004,301
Additions	-	-	-	72,400	72,400
Acquired from business combinations	502	451,126	1,423,788	43,497	1,918,913
Disposals	-	-	-	(363)	(363)
Amortisation charge	(19)	(8,824)	-	(42,799)	(51,642)
Impairment loss	-	-	(85,691)	-	(85,691)
Net exchange differences	1,579	-	20,575	(894)	21,260
Closing net book amount	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178
At December 31, 2018					
Cost	$ 51,283	$ 451,126	$ 3,920,751	$ 261,705	$ 4,684,865
Accumulated amortisation and impairment	(19)	(8,824)	(1,646,853)	(149,991)	(1,805,687)
	$ 51,264	$ 442,302	$ 2,273,898	$ 111,714	$ 2,879,178

	Trademark Rights	Goodwill	Others	Total
At January 1, 2017				
Cost	$ 53,319	$ 2,610,128	$ 205,422	$ 2,868,869
Accumulated amortization and impairment	-	-	(130,430)	(130,430)
	$ 53,319	$ 2,610,128	$ 74,992	$ 2,738,439
2017				
Opening net book amount	$ 53,319	$ 2,610,128	$ 74,992	$ 2,738,439
Additions	-	-	35,348	35,348
Disposals	-	-	(1,903)	(1,903)
Reclassifications	-	-	-	-
Amortisation charge	-	-	(68,371)	(68,371)
Impairment loss	-	(1,561,162)	-	(1,561,162)
Net exchange differences	(4,117)	(133,740)	(193)	(138,050)
Closing net book amount	$ 49,202	$ 915,226	$ 39,873	$ 1,004,301
At December 31, 2017				
Cost	$ 49,202	$ 2,476,388	$ 183,311	$ 2,708,901
Accumulated amortisation and impairment	-	(1,561,162)	(143,438)	(1,704,600)
	$ 49,202	$ 915,226	$ 39,873	$ 1,004,301

A. Please refer to Note 6 (30) for the information about the Group's intangible assets acquired through business combination in 2018.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	December 31, 2018					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	$ 708,591	$ 715,197	$ -	$ 334,167	$ -	1,757,955
Hong Kong	-	-	504,336	-	-	504,336
All other segments	-	-	-	-	11,607	11,607
	$ 708,591	$ 715,197	$ 504,336	$ 334,167	$ 11,607	$ 2,273,898

	December 31, 2017					
	3C component	System and peripheral products	3C product retail	Memory module	Others	Total
Taiwan	$ -	$ -	$ -	$ 419,858	$ -	$ 419,858
Hong Kong	-	-	483,761	-	-	483,761
All other segments	-	-	-	-	11,607	11,607
	$ -	$ -	$ 483,761	$ 419,858	$ 11,607	$ 915,226

C. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. The Group performs impairment testing annually.

D. In 2018 and 2017, the Group recognized impairment loss as follows:

	Years ended December 31,	
	2018	2017
Impairment loss -goodwill		
3C product retail	$ -	$ 1,561,162
Memory module	85,691	-
	$ 85,691	$ 1,561,162

E. The goodwill of memory module were amortised to PQI's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The main assumptions for calculation is as follows:

Discount rate is a pre-tax rate measured using the Taiwan government 10-year bond yield, which is the same currency with cash flow. Risk premium will be adjusted in order to reflect the equity's incremental risk and the cash generating unit's specific systematic risk of the general investments.

Due to the market shrinkage in Japan during the current year, the revenue decline, and no effective benefits arising from transforming its business model to sell mobile peripheral products, Power Quotient International Co., Ltd.'s recoverable amount is less than the book value as assessed, therefore, the Group recognised impairment loss on goodwill amounting to $85,691 in the statement of comprehensive income within 'other gains and losses' for the year ended December 31, 2018.

F. The goodwill of computer, communication and consumer electronics product retails and trademarks with indefinite useful life were amortised to PQI's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. The main assumptions for calculation is as follows:

Discount rate is a pre-tax rate measured using the Hong Kong government 15-year bond yield, which is the same currency with cash flow. Risk premium will be adjusted in order to reflect the equity's incremental risk and the cash generating unit's specific systematic risk of the general investments.

Since Apple Inc. subsequently expanded its stores in Hong Kong in recent years, operations of Sinocity Industries Ltd. has been affected. Additionally, Sinocity Industries Ltd.'s sales revenue is lower than its forecast due to the fact that more mobile manufacturers have entered the mobile phone market and the smart phone market is becoming saturated. For the year ended December 31, 2017, the Group recognised impairment loss of goodwill amounting to $1,561,162 thousand (listed under 'other gains and losses' in the statement of comprehensive income) since Sinocity Industries Ltd.'s recoverable amount was lower than its carrying amount. There was no such recognition of impairment loss in 2018.

G. The intangible assets were not pledged to others as collaterals.

(11) Long-term prepaid rents (shown as 'Other non-current assets')

	December 31, 2018	December 31, 2017
Land use right	$ 1,200,527	$ 2,189,080

A. On November 9, 2016, the Board of Directors of PQI's subsidiaries, Donghai County Cheng Uei Travel Industry Co., Ltd. (hereinafter referred to as "Cheng Uei Travel") and Jiangsu Foxlink New Energy Technology Co., Ltd. (hereinafter referred to as "Jiangsu Foxlink"), resolved to participate in the bid of Ministry of Land and Resources of the People's Republic of China. On November 17, 2016, the subsidiaries acquired the ownership of land for residential/commercial use and industrial use over the lease terms of 40 to 70 years. The acquisition price of aforementioned land amounting to $1,303,442 (RMB 265,170 thousand) was settled in 2017. As of December 31, 2018 and 2017, Jiangsu Foxlink received government grants to build the plant amounted to RMB 205,100 thousand and RMB 190,000 thousand, respectively.(shown as 'other non-current liabilities').

B. Long-term prepaid rents incurred from the abovementioned land was decreased by $1,209,558 as a result of disposing the equity of Cheng Uei Travel on September 3, 2018. Please refer to Note 6(32)B for details.

C. Mainly consisting of land access right, the Group signed land access rights contracts for the use of land in China. All rentals had been paid on the contract date. The Group recognised rental expenses of $26,961 and $24,810 for the years ended December 31, 2018 and 2017, respectively.

D. On December 16, 2017, the Group entered into a real estate sales and purchase contract with Bozhou Shichuang Real Estate Development Co., Ltd. The total contract price is RMB 100,028 thousand, which has been settled on January 1, 2018 (recorded at other non-current assets-others). As of December 31, 2018, the real estate has not been transferred.

(12) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 1,458,024	0.88~2.1%	-

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 3,194,456	0.91%~5%	-

(13) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper	$ 495,000	$ -
Discount amortization	(105)	-
	$ 494,895	$ -
Year interest rate range	0.91%~1.038%	-

(14) Other payables

	December 31, 2018	December 31, 2017
Payables on salary and bonus	$ 1,941,837	$ 1,670,530
Employees' compensation and remumeration for supervisors and directors	98,544	128,384
Payables on equipment	801,385	890,753
Others	3,295,558	3,505,566
	$ 6,137,324	$ 6,195,233

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2018
Long-term loan borrowings				
Bank 's unsecured borrowings				
Cheng Uei				
- including covenants	The amount of NTD 2,500,000 thousand, from September 2017 to December 2020 pay entire amount when due	1.20%1.55%	$ 1,000,000	$ 2,500,000
- without covenants	The amount of NTD 3,300,000 thousand, from September 2017 to December 2020 pay entire amount when due	1.20%~1.50%	1,015,025	3,300,000
Foxlink Image	The amount of NTD 1,755,000 thousand, is payable in installments starting from June 2018 to December 2020	1.12%~1.25%	245,000	1,755,000
PQI	The amount of NTD 836,917 thousand, is payable in installments starting from January 2016 to November 2019	1.48%~1.797%	2,556	836,917
Glory Science	The amount of NTD 242,365 thousand, is payable in installments starting from ovember 2018 to December 2020	1.04%~1.25%	50,000	242,365
Shinfox	The amount of NTD 30,357 thousand, from January 2015 to March 2022 pay entire amount when due	1.97%~2.095%	14,729	30,357
Foxwell Energy	The amount of NTD 58,086 thousand, is payable in installments starting from December 2018 to December 2023	1.6702%~1.8%	-	58,086
Bank 's secured borrowings				
Shinfox	The amount of NTD 1,190 thousand, is payable in installments starting from July 2014 to July 2024	1.85%~1.95%	-	1,190
Foxwell Energy	The amount of NTD 33,361 thousand, is payable in installments starting from May 2018 to November 2019	1.797%~1.85%	-	33,361
Medium-term and long-term syndicated loans	The amount of NTD 6,100,000 thousand is payable in installments from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,900,000	6,100,000
				14,857,276
Less: Current portion				(847,185)
				$ 14,010,091

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2017
Long-term loan borrowings				
Bank 's unsecured borrowings				
Cheng Uei				
- including covenants	The amount of NTD 2,000,000 thousand, from September 2017 to December 2020 pay entire amount when due	1.20%~1.55%	$ 2,300,000	$ 2,000,000
- without covenants	The amount of NTD 2,500,000 thousand, from September 2017 to December 2020 pay entire amount when due	1.48%	744,000	800,000
PQI	The amount of NTD 961,333 thousand, is payable in installments starting from January 2016 to March 2019	1.48%~1.56%	-	869,886
Shinfox	The amount of NTD 63,370 thousand, is payable in installments starting from August 2014 to March 2022	1.97%~2.32%	14,100	63,370
Foxwell Energy	The amount of NTD 91,447 thousand, is payable in installments starting from August 2014 to March 2022	1.67%~1.85%	3,097,625	91,447
Bank 's secured borrowings	The amount of NTD 7,212 thousand, is payable in installments starting from July 2014 to July 2024	1.85%~1.95%	21,312	7,212
Medium-term and long-term syndicated loans	The amount of NTD 7,000,000 thousand is payable in installments from March 2017 to March 2022. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	1,000,000	7,000,000
				10,831,915
Less: Current portion				(398,376)
				$ 10,433,539

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarized below:

(a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.

(b) Credit line and draw-down: The credit line was $8,000,000, which can be drawn down in installments of at least $100,000 thousand per draw-down.

(c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company’s option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the old one before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.

(d) Commitment: The Company should maintain the following financial ratios during the contract duration for semi-annual consolidated and annual consolidated financial statements:

i. Current assets to current liabilities ratio of at least 1:1;

ii. Liabilities not exceeding 200% of tangible net equity;

iii. Interest coverage of at least 400%; and

iv. Tangible net equity of at least NT$15,000,000.

(e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.

B. The Company entered into the borrowing contracts with O-bank, Bank SinoPac, Taipei Fubon and Far Eastern International Bank, and the total credit line is $3,500,000. As of December 31, 2018, the borrowings that have been used amounted to $2,500,000. In the duration period of these contracts, the financial ratios in the semi-annual consolidated and annual consolidated financial statements shall be as follows:

(a) Current assets to current liabilities ratio of at least 1:1;

(b) Liabilities not exceeding 200% of tangible net equity;

(c) Interest coverage of at least 400%; and

(d) Tangible net equity of at least NT$15,000,000.

C. The Company entered into a borrowing contract with Mizuho Bank and the credit line is $800,000. As of December 31, 2018, the borrowing that has been used amounted to $800,000.

D. The Company entered into a borrowing contract with E.Sun Bank and the credit line is $500,000. As of December 31, 2018, the borrowing that has been used amounted to $ 0.

E. The Company entered into a borrowing contract with DBS and the credit line is USD$35,000,000. As of December 31, 2018, the borrowing that has been used amounted to $1,000,000.

F. The Company entered into a borrowing contract with ANZ and the credit line is $1,200,000. As of December 31, 2018, the borrowing that has been used amounted to $1,200,000.

G. The Company entered into a borrowing contract with First Bank and the credit line is $500,000. As of December 31, 2018, the borrowing that has been used amounted to $300,000.

H. The Company entered into a borrowing contract with the Export-Import Bank of Republic of China and the credit line is $240,000. As of December 31, 2018, the borrowing that has been used amounted to $ 0.

I. The Foxlink Image Technology Co.,Ltd. enter into a borrowing contract with Bank SinoPac and the credit line is $1,200,000. As of December 31, 2018, the borrowing that has been used amounted to $955,000.

J. The Foxlink Image Technology Co.,Ltd. entered into a borrowing contract with Hua Nan Commercial Bank and the credit line is $200,000. As of December 31, 2018, the borrowing that has been used amounted to $200,000.

K. The Foxlink Image Technology Co.,Ltd. entered into a borrowing contract with E.Sun Bank and the credit line is $300,000. As of December 31, 2018, the borrowing that has been used amounted to $300,000.
L. The Foxlink Image Technology Co.,Ltd. entered into a borrowing contract with Jih Hun International Bank and the credit line is $300,000. As of December 31, 2018, the borrowing that has been used amounted to $300,000.
M. The Glory Science Co., Ltd. entered into a borrowing contract with KGI Bank and the credit line is $100,000. As of December 31, 2018, the borrowing that has been used amounted to $50,000.
N. The Glory Science Co., Ltd. entered into a borrowing contract with Hua Nan Commercial Bank and the credit line is $100,000. As of December 31, 2018, the borrowing that has been used amounted to $100,000.
O. The Yao Wei Photovoltaic (Yancheng) Co.,Ltd. entered into a borrowing contract with KGI Bank and the credit line is USD$3,000,000. As of December 31, 2018, the borrowing that has been used amounted to $3,000,000.
P. The Power Quotient International Co.,Ltd entered into a borrowing contract with Chang Hwa Commercial Bank and the credit line is $100,000. As of December 31, 2018, the borrowing that has been used amounted to $72,917.
Q. The Power Quotient International Co.,Ltd entered into a borrowing contract with E.Sun Bank and the credit line is $264,000. As of December 31, 2018, the borrowing that has been used amounted to $264,000.
R. The Power Quotient International Co.,Ltd entered into a borrowing contract with O-Bank and the credit line is $150,000. As of December 31, 2018, the borrowing that has been used amounted to $75,000.
S. The Power Quotient International Co.,Ltd entered into a borrowing contract with Yuanta Commercial Bank and the credit line is $300,000. As of December 31, 2018, the borrowing that has been used amounted to $300,000.
T. The Power Quotient International Co.,Ltd entered into a borrowing contract with Bank of Panhsin and the credit line is $70,000. As of December 31, 2018, the borrowing that has been used amounted to $25,000.
U. The Power Quotient International Co.,Ltd entered into a borrowing contract with Hua Nan Commercial Bank and the credit line is $100,000. As of December 31, 2018, the borrowing that has been used amounted to $100,000.
V. The Foxwell Energy Corporation Ltd entered into a borrowing contract with Mega Commercial Bank and the credit line is $33,361. As of December 31, 2018, the borrowing that has been used amounted to $33,361.
W. The Foxwell Energy Corporation Ltd entered into a borrowing contract with TSBank and the credit line is $58,086. As of December 31, 2018, the borrowing that has been used amounted to $58,086.

(16) Pensions

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

B. The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 350,783)	($ 326,572)
Fair value of plan assets	171,730	85,755
Net defined benefit liability	($ 179,053)	($ 240,817)

C. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 326,572)	$ 85,755	($ 240,817)
Current service cost	(5,245)	-	(5,245)
Interest (expense) income	(3,463)	394	(3,069)
Past service cost	-	-	-
	(335,280)	86,149	(249,131)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	-	-
Change in financial assumptions	(4,455)	-	(4,455)
Experience adjustments	(5,257)	-	(5,257)
	(9,712)	-	(9,712)
Pension fund contribution	-	52,854	52,854
Paid pension	26,769	(26,769)	-
Effect of business combination	(32,560)	59,496	26,936
Balance at December 31	($ 350,783)	$ 171,730	($ 179,053)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 302,890)	$ 89,814	($ 213,076)
Current service cost	(2,835)	-	(2,835)
Interest (expense) income	(4,253)	1,313	(2,940)
Past service cost	1,164	-	1,164
	(308,814)	91,127	(217,687)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(472)	(472)
Change in financial assumptions	(9,847)	-	(9,847)
Experience adjustments	(15,684)	-	(15,684)
	(25,531)	(472)	(26,003)
Pension fund contribution	-	2,873	2,873
Paid pension	7,773	(7,773)	-
Balance at December 31	($ 326,572)	$ 85,755	($ 240,817)

(a) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(b) The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	1.00%	1.10%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	$ 7,883	($ 8,180)	($ 7,257)	$ 7,045
December 31, 2017				
Effect on present value of defined benefit obligation	$ 8,414	($ 8,737)	$ 7,769	$ 7,536

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $30,000.

(d) As of December 31, 2018, the weighted average duration of that retirement plan is 11 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries 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 funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the years ended December 31, 2018 and 2017 is between 10.2%~21%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the abovementioned defined contribution pension plan for the years ended December 31, 2018 and 2017 were $843,459 and $869,579, respectively.

(17) Share capital

A. As of June 30, 2017, the Company′s authorized common stock was $7,000,000 (including 50,000,000 shares reserved for the issuance of employees’ warrants), and the issued and outstanding shares were both 512,326,940 shares, with a par value of $10 (in dollars) per share. The number of the Company’s ordinary shares outstanding at January 1 and December 31, 2018 was the same.

B. Treasury shares

Before becoming a subsidiary, Foxlink Image Technology Co.,Ltd. held parent’s capital stock for general investment purpose. The company did not purchase more equity instruments after acquiring control over Foxlink Image on October 1, 2018. As of December 31, 2018, the detailed information of Foxlink Image’s parent equity shares is as follows:

	December 31, 2018
Thousand shares	27,503
Book value	$ 272,066

(18) Capital surplus

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

	2018					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	$ 9,337,850	$ 3,065	$ 7,313	$ 3,234	$ 117,203	$ 9,468,665
Recognition of adjustments of investees proportionately	-	-	-	140	(38,343)	(38,203)
At December 31	$ 9,337,850	$ 3,065	$ 7,313	$ 3,374	$ 78,860	$ 9,430,462

	2017					
	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1	$ 9,337,850	$ 3,065	$ 7,124	$ 3,234	$ 83,208	$ 9,434,481
Recognition of adjustments of investees proportionately	-	-	189	-	33,995	34,184
At December 31	$ 9,337,850	$ 3,065	$ 7,313	$ 3,234	$ 117,203	$ 9,468,665

(19) Retained earnings/ Subsequent events

A. Based on the Company's Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.

B. According to the Company’s Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders’ bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.

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

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. (a) The Company recognised dividends distributed to owners amounting to $1,024,654 and $768,490 for the years ended December 31, 2018 and 2017, respectively. The appropriations of 2017 earnings had been resolved at the stockholders' meeting on June 8, 2018. The appropriations of 2016 earnings had been approved at the stockholders' meeting on June 8, 2017. Details are summarized below:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	$ 133,459	$ -	$ 79,276	$ -
Special reserve	843,090	-	-	-
Cash dividend	1,024,654	2.0	768,490	1.5
Total	$ 2,001,203	$ 2.0	$ 847,766	$ 1.5

(b) The appropriation of 2018 earnings had been proposed by the Board of Directors on March 29, 2019. Details are summarized below:

	Year ended December 31, 2018	
	Amount	Dividend per share (NTD)
Legal reserve	$ 60,810	$ -
Special reserve	94,704	-
Cash dividend	768,490	1.5
Total	$ 924,004	1.5

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

	2018			
	Financial assets at fair value through other comprehensive income	Available-for-sale investments	Translation of foreign financial statements	Total
At January 1	$ -	$ 64,731	($ 907,821)	($ 843,090)
Adjustment under new standards	(11,540)	(64,731)	-	(76,271)
Balance at January 1 after adjustments	(11,540)	-	(907,821)	(919,361)
Valuation adjustments	(303,951)	-	-	(303,951)
Currency translation differences:				
- Group	-	-	(355,106)	(355,106)
- Associates	-	-	(31,483)	(31,483)
At December 31	($ 315,491)	$ -	($ 1,294,410)	($ 1,609,901)

	2017		
	Available-for-sale investments	Currency translation differences	Total
At January 1	1,093,434	(1,083,745)	9,689
Valuation adjustment	(1,028,703)	-	(1,028,703)
differences:			
- Group	-	189,761	189,761
- Associates	-	(13,837)	(13,837)
At December 31	64,731	(907,821)	(843,090)

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

2018	Asia	Americas	Others	Total
3C component	$ 29,816,311	$ 8,624,473	$ 437,225	$ 38,878,009
Systems and peripheral products	9,865,893	21,773,468	4,742,824	36,382,185
3C product retail	12,055,399	-	-	12,055,399
Others	333,140	148,842	113,386	595,368
Total	$ 52,070,743	$ 30,546,783	$ 5,293,435	$ 87,910,961

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

		December 31, 2018
Contract liabilities:		
Contract liabilities – advance sales receipts	$	624,287

Revenue recognised that was included in the contract liability balance at the beginning of the period:

		Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales revenue received in advance	$	397,749

C. Related disclosures for the year ended December 31, 2017 operating revenue are provided in Note 12(5).

(22) Other income

	Years ended December 31,			
	2018		2017	
Interest income	$	88,288	$	91,680
Rental revenue		28,714		33,163
Technical service revenue		5,000		-
Dividend income		-		2,559
Others		425,723		466,862
	$	547,725	$	594,264

(23) Other gains and losses

	Years ended December 31,			
	2018		2017	
Loss on disposal of property, plant and equipment	($	189,077)	($	126,476)
Gain on disposal of investments		482,944		1,482,153
Foreign exchange gains		207,324		61,486
Impairment loss	(	85,691)	(	1,561,162)
Other gains and losses	(	162,267)	(	158,936)
	$	253,233	($	302,935)

(24) Finance costs

	Years ended December 31,			
	2018		2017	
Interest expense arising from bank borrowings	$	290,555	$	254,692

(25) Expenses by nature

	Years ended December 31, 2018	Years ended December 31, 2017
Employee benefit expense	$ 15,012,907	$ 14,339,481
Depreciation charges on property, plant and equipment and investment property	2,954,109	3,115,796
Amortisation charges on intangible assets	78,603	93,181
Transportation expenses	780,363	770,010
Advertising costs	101,665	249,584
Operating lease payments	896,855	651,180
Manufacture costs and operating expenses	$ 19,824,502	$ 19,219,232

(26) Employee benefit expense

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 12,465,497	$ 12,694,291
Labour and health insurance fees	1,354,318	484,239
Pension costs	851,773	874,190
Other personnel expenses	341,319	286,761
	$ 15,012,907	$ 14,339,481

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $36,000 and $92,670, respectively; directors' and supervisors' remuneration was accrued at $3,000 and $7,600, respectively. The aforementioned amounts were recognised in salary expenses.

C. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year for the year ended December 31, 2018 and percentage as prescribed by the Company's Articles of Incorporation. The Board of Directors resolved the actual appropriation amounts of $36,000 and $3,000 and appropriated in cash in March 29, 2019.

D. The amounts resolved by Board of Directors and the amounts recognised in the 2017 financial statements are the same.

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

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Tax payable incurred in current period	$ 393,314	$ 775,938
Tax on unappropriated surplus earnings	-	1,670
Prior year income tax (over)underestimation	(3,438)	3,398
Total current tax	389,876	781,006
Deferred tax:		
Origination and reversal of temporary differences	(124,805)	48,104
Impact of change in tax rate	73,782	-
Total deferred tax	(51,023)	48,104
Income tax expense	$ 338,853	$ 829,110

(b) The income tax relating to components of other comprehensive income is as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Currency translation differences	($ 88,065)	$ 36,034
Remeasurement of defined benefit obligations	(2,979)	(4,421)
Fair value gains/losses on available-for-sale financial assets	-	(230,080)
Impact of change in tax rate	11,399	-
	($ 79,645)	($ 198,467)

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	$ 299,442	$ 521,363
Effect from items disallowed by tax regulation	42,849	233,958
Taxable loss not recognised as deferred tax assets	-	68,721
Prior year income tax (over) underestimation	(3,438)	3,398
10% surtax on undistributed earnings	-	1,670
Income tax expense	$ 338,853	$ 829,110

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combination	December 31
Temporary differences:					
－Deferred tax assets:					
Bad debts expense	$ 3,221	$ 2,326	$ -	$ 14,785	$ 20,332
Impairment losses on slow -moving inventory	22,095	3,370	-	12,296	37,761
Unrealised exchange (loss) gain	620	(5,623)	-	6,868	1,865
Unrealised profit from sales	23,421	(13,709)	-	-	9,712
Unrealised appropriation of pension	-	142	-	-	142
Remeasurement of defined benefit plan	9,463	1,028	3,540	-	14,031
Currency translation differences	-	-	29,660	19,919	49,579
Tax losses	41,279	65,205	-	-	106,484
Others	35,438	(53,939)	-	117,618	99,117
Subtotal	$ 135,537	($ 1,200)	$ 33,200	$ 171,486	$ 339,023
－Deferred tax liabilities:					
Gain on investments	($ 502,200)	$ 14,106	$ -	($ 159,299)	($ 647,393)
Unrealised exchange (loss) gain	(24,520)	(11,687)	-	(12,177)	(48,384)
Unrealised appropriation of pension	(3,185)	(3,629)	-	-	(6,814)
Remeasurement of defined benefit plan	(5,408)	(698)	(561)	-	(6,667)
Unrealised gains (losses) on available-for-sale financial assets	-	-	-	-	-
Currency translation differences	(74,060)	-	74,060	-	-
Others	(7,447)	54,131	(27,054)	(158,643)	(139,013)
Subtotal	(616,820)	52,223	46,445	(330,119)	(848,271)
Total	($ 481,283)	$ 51,023	$ 79,645	($ 158,633)	($ 509,248)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Bad debts expense	$ 3,323	($ 102)	$ -	$ 3,221
Impairment losses on slow-moving inventory	24,479	(2,384)	-	22,095
Unrealised exchange (loss) gain	956	(336)	-	620
Unrealised profit from sales	7,926	15,495	-	23,421
Unrealised appropriation of pension	-	-	-	-
Remeasurement of defined benefit plan	5,032	-	4,431	9,463
Tax losses	97,366	(56,087)	-	41,279
Others	35,772	(334)	-	35,438
Subtotal	$ 174,854	($ 43,748)	$ 4,431	$ 135,537
—Deferred tax liabilities:				
Unrealised gain on investments	($ 493,615)	($ 8,585)	$ -	($ 502,200)
Unrealised exchange (loss) gain	(31,564)	7,044	-	(24,520)
Unrealised appropriation of pension	(2,677)	(508)	-	(3,185)
Remeasurement of defined benefit plan	(5,123)	(275)	(10)	(5,408)
Unrealised gains (losses) on available -for-sale financial assets	(230,080)	-	230,080	-
Currency translation differences	(38,026)	-	(36,034)	(74,060)
Others	(5,415)	(2,032)	-	(7,447)
Subtotal	($ 806,500)	($ 4,356)	$ 194,036	($ 616,820)
Total	($ 631,646)	($ 48,104)	$ 198,467	($ 481,283)

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008-2018	$ 2,336,414	$ 2,336,414	$ 1,803,994	2019-2028

December 31, 2017				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2008-2017	$ 2,032,029	$ 2,032,029	$ 1,789,212	2018-2027

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	$ 2,359,319	$ 3,172,018

F. The latest year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	Status of Assessment
The Company, FUII, Zhi De Investment, FII, WCT, Shinfox, Du Precision, Proconn, Link Media, Studio A, VA product, Darts, Foxwell Energy, Power Sufficient International, Suntain, Foxwell Image, Glory Science, PQI,	Assessed and approved up to 2016

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

(28) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 608,100	505,525	$ 1.20
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 608,100	505,525	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,519	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 608,100	507,044	$ 1.20

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,334,588	512,327	$ 2.60
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,334,588	512,327	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,852	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,334,588	514,179	$ 2.60

(29) Transactions with non-controlling interest

A. On August 24, 2018, the Group acquired additional 42% shares of ASHOP CO., LTD. (the "ASHOP") at total cash consideration of $34,389. The carrying amount of non-controlling interest in the ASHOP was $12,241 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $12,241 and a decrease in the equity attributable to owners of the parent by $22,148. The effect of changes in interests in the ASHOP on the equity attributable to owners of the parent for the year ended December 31, 2018 is shown below:

	Year ended December 31, 2018
Carrying amount of non-controlling interest acquired	$ 12,241
Consideration paid to non-controlling interest	(34,389)
Retained earnings decrease- difference between consideration and carrying amount of subsidiaries acquired or disposed	($ 22,148)

B. The Group did not conduct any transaction with non-controlling interest in 2017.

(30) Business combinations

A. The subsidiary,PQI, converted its stock with the investees, which are accounted for under the equity method, Foxlink Image and Glory Science, in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. PQI, Foxlink Image and Glory Science will be delisted based on the regulation starting from October 1, 2018, and FIT Holding will be listed on the same date.

The Group holds more than half of the seats in the Board of Directors of FIT Holding after the abovementioned stock conversion, therefore, FIT Holding is substantively determined as controlled by the Group.

Except that the stock conversion of subsidiary, PQI was a reorganisation within the Group, the stock conversion of Foxlink Image and Glory Science resulted in the two companies becoming the subsidiaries of FIT Holding on October 1, 2018 and controlled by the Group.

B. The following table summarises the consideration paid for the above subsidiaries and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the information on non-controlling interest at the acquisition date:

	December 31, 2018	
	Glory Science	Foxlink Image
Purchase consideration	$ -	$ -
Equity instruments		
Fair value of equity interest in acquired company held before the business combination	1,377,958	939,536
Fair value of the non-controlling interest	1,934,013	2,071,604
	3,311,971	3,011,140
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	842,123	1,731,002
Accounts receivable	442,571	879,283
Others receivable	-	465,719
Inventories	326,294	632,997
Other current assets	137,570	94,785
Investment property	-	131,838
Financial assets at fair value through other comprehensive income	-	1,340,483
Equity investment	12,634	316,902
Property, plant and equipment	1,612,031	106,683
Intangible assets	425,509	69,616
Other non-current assets	656,870	246,645
Short-term borrowings	(864,000)	(1,050,000)
Accounts payable	(117,815)	(866,493)
Other current liabilities	(644,424)	(588,686)
Long-term borrowings	(91,773)	(1,000,000)
Deferred tax liabilities	(117,057)	(213,062)
Other non-current liabilities	(17,153)	(1,769)
Total identifiable net assets	2,603,380	2,295,943
Goodwill	$ 708,591	$ 715,197

C. The Group created minority share interest of $4,005,617 after the business combination. Due to the Group holding Power Channel equity share of 64.25% before the combination, the remaining equity share of 35.75% belongs to Foxlink Image. The business combination decreased Power Channel's non-controlling interest by $218,608. Due to the above, the business combination increased non-controlling interest by $3,786,809.

D. Before the business combination, the Group held Glory Science and Foxlink Image equity share of 41.62% and 31.2% respectively. Recognised remeasurement at fair value through profit and loss of $418,679 in other profit and loss. Please refer to Note 6 (22).

E. Glory Science and Foxlink Image contributed revenue and profit and loss before tax of $1,301,242 and ($73,917) separately since the business combination at October 1, 2018. Under the assumption that the business combination occurred on January 1, 2018, their contribution to the Group's revenue and net profit before tax would be $5,658,048 and $ 317,935, respectively.

(31) Operating leases

The Group leases offices, warehouses, branch locations and the land for settlement of solar photovoltaic equipment under non-cancellable operating lease agreements. The lease terms are between 1 to 20 years, and all the lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of $788,554 and $628,877, and contingent rents of $108,301 and $22,303 for these leases in profit or loss for years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
No later than one year	$ 235,382	$ 237,326
Later than one year but not later than five years	267,917	96,733
Over five years	52,977	8,745
	$ 556,276	$ 342,804

(32) Supplemental cash flow information

A. Investment activities with partial cash payments:

	Years ended December 31, 2018	2017
Purchase of property, plant and equipment	$ 5,295,457	$ 2,960,749
Add: Opening balance of payable on equipment	890,753	1,197,679
Less: Ending balance of payable on equipment	(801,385)	(890,753)
Cash paid during the period	$ 5,384,825	$ 3,267,675

B. The Group sold 100% of shares in the subsidiary, Donhai Contry Cheng Uei Travel Industry Co., Ltd. on September 3, 2018 and therefore lost control over the subsidiary (please refer to Note 4(3)B, Note 13). The details of the consideration received from the transaction and assets and liabilities relating to the subsidiary are as follows:

	December 31, 2018
Carrying amount of assets and liabilities of Donhai Contry Cheng Uei Travel Industry Co.,Ltd.	
Cash and cash equivalents	457,615
Other receivables	76
Prepayments	184,621
Property, plant and equipment	1,107,275
Guarantee deposits paid	3,718
Prepayment for equipment	5,752
Long-term prepaid rent	1,209,558
Other payables	(479,206)
Receipt in advance	(2,300,776)
Carrying amount of disposal of subsidiaries	188,633
Gain on disposal of subsidiaries	54,139
Total consolidation received from disposal of subsidiaries	242,772
Cash and cash equivalents from disposal of subsidiaries	(457,615)
Net cash charged due to disposal of subsidiaries	$ 214,843

(33) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 3,194,456	$ 10,831,915	$ 14,026,371
Changes in cash flow from financing activities	(3,654,810)	2,933,588	(721,222)
Impact of business combination	1,914,000	1,091,773	3,005,773
Impact of changes in foreign exchange rate	4,378	-	4,378
At December 31, 2018	$ 1,458,024	$ 14,857,276	$ 16,315,300

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2017	$ 8,738,009	$ 7,171,659	$ 15,909,668
Changes in cash flow from financing activities	(5,543,553)	3,660,256	(1,883,297)
Impact of changes in foreign exchange rate	-	-	-
At December 31, 2017	$ 3,194,456	$ 10,831,915	$ 14,026,371

7. RELATED-PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Well Shin Technology Co., Ltd. (Well Shin)	Associates
Glory Science Co., Ltd. (Glory)	Associates (Note)
Yao Wei Photovoltaic (Yancheng) Co., Ltd. (Yao Wei)	Associates (Note)
Yancheng Yaowei Technology Co., Ltd. (Yancheng Yaowei)	Associates (Note)
Foxlink Image Technology Co., Ltd. (Foxlink Image)	Associates (Note)
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associates
Microlink Communications Inc. (Microlink)	Associates
Central Motion Picture Corporation (Central Motion)	Associates
Deepwaters Digital Support Inc. (Deepwaters)	Associates
HSIN HUNG International Investment Co.,Ltd. (HSIN HONG)	Other related parties
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related parties

Note: PQI, together with the investees, Foxlink Image and Glory Science, converted its shares in order to support the newly established FIT Holding acquiring a 100% equity share of PQI, Foxlink Image and Glory Science. The Group has control over FIT Holding so that Foxlink Image, Glory Science and their subsidiaries become the Group's subsidiaries.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
-Associates	$ 12,834	$ 110,676
-Other related parties	1,319,343	1,831,353
	$ 1,332,177	$ 1,942,029

The sales price in relation to the transaction made with related parties is based on mutual agreement. All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	Years ended December 31, 2018	Years ended December 31, 2017
Purchases of goods:		
-Associates	$ 838,471	$ 718,250
-Other related parties	569,337	404,107
	$ 1,407,808	$ 1,122,357

The purchase price in relation to the transaction made with related parties is based on mutual agreement. All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Non-operating income-Other Income

	Years ended December 31, 2018	Years ended December 31, 2017
Other income:		
-Associates	$ 18,448	$ 23,626

The Group charged technical service compensation, management service income and rent income from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Research and development expense-Technical Service Compensation

	Years ended December 31, 2018	Years ended December 31, 2017
Technical service compensation:		
- Associates	$ 54,191	$ 19,148

The Group entered into technical service contracts with related parties for providing the Company with research and development services. The payment terms are based on mutual agreement.

E. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
-Associates	$ 105,137	$ 123,450
-Other related parties	574,880	565,862
	$ 680,017	$ 689,312
Other receivables (Financing):		
-Associates		
Microlink	66,654	64,000
Other receivables (Ohters):		
-Associates	1,366	19,086
	$ 68,020	$ 83,086

Other receivables mainly refer to the rental income received from related parties, and the collection terms are based on mutual agreement.

F. Payables to related parties:

	December 31, 2018	December 31, 2017
Accounts payable:		
-Associates	$ 264,013	$ 388,126
-Other related parties	62,889	32,339
	$ 326,902	$ 420,465
Other payables－Receipts under custody		
-Associates	34,108	18,629
-Other related parties	811	3,344
	$ 34,919	$ 21,973

Other payables mainly refer to the borrowings from related parties, and the borrowings shall be repaid within 6 months based on the credit terms. Interest rate is 1.5% per annum when the borrowing period is over 1 month, but will not be accrued if the borrowing period is less than 1 month.

G. Loans to related parties

Interest income

	Years ended December 31,	
	2018	2017
-Associates		
Sharetronic	$ -	$ 13,649

The loans to associates are repayable according to the contract's repayment schedule and carry interest at 6.5% per annum for year ended December 31, 2017.

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 113,207	$ 85,141
Post-employement benefits	1,763	1,405
Total	$ 114,970	$ 86,546

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Restricted assets -current (Shown as other current assets)	$ 373,823	$ 217,866	Customs deposit, guarantee for L/C issued for purchases of materials and government grants and coupon trust
Refundable deposits (Shown as other non-current assets)	189,362	184,718	Customs deposit and plant deposit
Other assets-other (Shown as other non-current assets)	8,416	15,840	Litigation deposit and collaterals for long-term borrowings
	$ 571,601	$ 418,424	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 1,190,153	$ 1,734,459

(2) Central Motion Picture Corporation, an equity-method investment of the Group (the "Central Motion Picture", please refer to Note 6(7)), was determined to be an affiliate organisation of the Kuomintang by the Ill-gotten Party Assets Settlement Committee (the "Ill-gotten Party") in its written disposition, Dang-Chan-Chu-Zi No. 107007, issued on October 9, 2018. Under paragraph 1, Article 5 and Article 9 of the Act Governing the Settlement of Ill-gotten Properties by Political Parties and Their Affiliate Organisations, properties were held by the Central Motion Picture when the Act was released on August 10, 2016 are considered as an unjustly received properties. The presumed ill-gotten party assets as prescribed in the preceding paragraph 1 of Article 5 are prohibited from being transferred or disposed since from the date of promulgation of this Act. However, this limit is not applicable if it is necessary to perform its legal duties or other justifiable reasons. If the Central Motion Picture's shareholders meet the conditions described in the Article 7, their rights are not affected. Under Article 16, the Central Motion Picture may file an administrative litigation in the Taipei High Administrative Court within two months after the aforementioned written disposition was served. In addition, the Central Motion Picture may file for a suspension of execution under Paragraph 2, Article 116 of the Administrative Litigation Act. On December 12, 2018, Central Motion Picture Corporation submitted cause of action to the Taipei High Administrative Court. As of the financial reporting date, the possible result of this litigation cannot be determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On March 15, 2019, the Board of Directors resolved that the Company's subsidiaries, Foxwell Energy Corporation Ltd, Zhangyuan Wind Power Co., Ltd and Beiyuan Wind Power Co., Ltd, jointly entered into equipment purchase contracts with non-related parties, of which the total consideration was USD 10,195 thousand and EUR 11,322 thousand with the endorsement and guarantee in the amount of NTD 531,698 thousand provided by the parent, FIT Holding Co., Ltd.

B. Details of the appropriation of 2018 earnings as resolved by the Board of Directors on March 29, 2019 are provided in Note 6(19).

C. On March 29, 2019, the Board of Directors resolved to issue secured corporate bonds with a period of 5 years and with the limit of total amount of no more than NTD 3 billion. This issuance will be effective after reporting to and being approved by the competent authority.

D. On March 29, 2019, the Board of Directors resolved to increase capital to subsidiary, SINOBEST BROTHERS LIMITED, amounting to USD 10 million and investing in FOXLINK MYANMAR COMPANY LIMITED amounting to USD 10 million through SINOBEST BROTHERS LIMITED.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets:		
Financial assets at fair value through profit or loss		
Financial assets held for trading	$ -	$ 318
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	1,040,342	-
Financial assets carried at cost		
Financial assets at amortised cost/loans and receivables		
Cash and cash equivalents	6,122,851	7,631,619
Investment in debt instruments without active markets	-	8,536
Notes receivable	24,412	56,248
Accounts receivable	13,363,457	15,867,829
Other receivables	772,669	344,965
Other current assets (over 3 months deposits)	350,415	479,416
Guarantee deposits paid	189,362	184,718
	$ 21,863,508	$ 25,202,155

	December 31, 2018	December 31, 2017
Financial liabilities:		
Financial liabilities at amortised cost		
Short-term borrowings	$ 1,458,024	$ 3,194,456
Short-term notes and bills payable	494,895	-
Notes payable	3,814	11,101
Accounts payable	15,745,229	18,667,634
Other payables	6,137,324	6,195,233
Long-term borrowings (including current portion)	14,857,276	10,831,915
Guarantee deposits received	30,531	29,866
	$ 38,727,093	$ 38,930,205

B. Risk management policies

(a) The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, please refer to Notes 6(2) and 12(4).

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The 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 RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets at fair value through profit or loss are provided in Notes 6(2) and 12(4).

iv. 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 and HKD). 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 (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD：NTD	$	414,232	30.72	$	12,725,207
RMB：NTD		66,400	4.47		296,808
HKD：NTD		6,160	3.92		24,147
EUR：NTD		1,436	35.2		50,547
JPY:NTD		36,191	0.28		10,133
USD：HKD		2,344	7.83		72,008
RMB : HKD		145,412	1.14		649,992
USD : RMB		3,966	6.87		121,836
Non-monetary items					
RMB : HKD	$	145,613	1.14	$	648,878
USD：HKD		2,268	7.83		69,675
Financial liabilities					
Monetary items					
USD：NTD	$	303,965	30.72	$	9,337,805
HKD：NTD		3,614	3.92		14,167
EUR : NTD		83	35.20		2,922
JPY：NTD		168,863	0.28		47,282
USD：HKD		5,469	7.83		168,008
RMB : HKD		213,349	1.14		953,670
USD : RMB		65,428	6.87		2,009,948

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 454,233	29.76	$ 13,517,974
RMB：NTD	28,362	4.57	129,614
HKD：NTD	5,241	3.81	19,968
JPY：NTD	229,412	0.26	59,647
USD：HKD	334	7.82	9,940
RMB : HKD	5,124	1.20	23,417
USD : RMB	8,261	6.51	245,847
Non-monetary items			
RMB : HKD	$ 116,437	1.20	$ 532,116
USD : HKD	2,273	7.82	67,644
Financial liabilities			
Monetary items			
USD：NTD	$ 585,080	29.76	$ 17,411,981
HKD：NTD	3,347	3.81	12,752
JPY：NTD	155,419	0.26	40,409
USD：HKD	65,472	7.82	1,948,447
RMB : HKD	335,410	1.20	1,532,824
USD : RMB	59,369	6.51	1,766,821

v. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the year ended December 31, 2018 and 2017 amounted to $207,324 and $61,486, 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 other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 127,252	$ -
RMB：NTD	1%	2,968	-
HKD：NTD	1%	241	-
EUR : NTD	1%	505	-
JPY：NTD	1%	101	-
USD：HKD	1%	720	-
RMB：HKD	1%	6,500	-
USD：RMB	1%	1,218	-
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 93,378	$ -
HKD：NTD	1%	142	-
EUR: NTD	1%	29	-
JPY：NTD	1%	473	-
USD : HKD	1%	1,680	-
RMB：HKD	1%	9,537	-
USD：RMB	1%	20,099	-

	Year ended December 31, 2017		
	Sensitivity Analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 135,180	$ -
RMB：NTD	1%	1,296	-
HKD：NTD	1%	200	-
JPY：NTD	1%	596	-
USD：HKD	1%	99	-
RMB：HKD	1%	234	-
USD：RMB	1%	2,458	-
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 174,120	$ -
HKD：NTD	1%	128	-
JPY：NTD	1%	404	-
USD : HKD	1%	19,484	-
RMB：HKD	1%	15,328	-
USD：RMB	1%	17,668	-

Price risk

A. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

B. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant. Other components of equity would have increased (decreased) by $8,333 and $ 0, respectively, as a result of gains/losses on equity securities other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

A. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group's interest rates of borrowings are fixed and floating rate. For years ended December 31, 2018 and 2017, the Group's borrowings issued by floating rate are priced in New Taiwan dollars.

B. As of December 31, 2018 and 2017, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have been $118,858 and $89,905 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

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 main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

B. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

C. Group treasury manages credit risk of cash in banks and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only rated banks with an optimal rating and financial institutes with investment grade are accepted.

D. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 120 days.

E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(b) A breach of contract.

F. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

G. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable on December 31, 2018, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~120 days past due	Over 120 days	Total
At December 31, 2018					
Expected loss rate	0.14%	2.68%	32.1%	100%	
Total book value	$ 11,868,383	$ 799,013	$ 78,887	$ 104,275	$ 12,850,558
Loss allowance	$ 16,130	$ 21,389	$ 25,324	$ 104,275	$ 167,118

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

	2018
At January 1_IAS 39	$ 99,177
Adjustments under new standards	-
At January 1_IFRS 9	99,177
Business combination	73,121
Provision for impairment	(5,703)
Effect of foreign exchange	523
At December 31	$ 167,118

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

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. 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.

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 1,474,065	$ -	$ -	$ -	$ -
Short-term notes and bills payable	499,715				
Notes payable	3,814	-	-	-	-
Accounts payable	15,745,229	-	-	-	-
Other payables	6,137,324	-	-	-	-
Long-term borrowings (including current portion)	867,350	8,072,943	13,371	6,235,902	60,081

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 3,194,456	$ -	$ -	$ -	$ -
Notes payable	11,101	-	-	-	-
Accounts payable	18,667,634	-	-	-	-
Other payables	6,195,233	-	-	-	-
Long-term borrowings (including current portion)	398,376	626,075	2,847,323	7,125,323	-

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

(3) Fair value information

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

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

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 non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of the financial instruments that are not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) are approximate to their fair values.

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets :				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 1,040,342	$ 1,040,342

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets :				
Recurring fair value measurements				
Financial asset at fair value through profit and loss				
Forward foreign exchange contracts	$ -	$ 318	$ -	$ 318

E. The methods and assumptions the Group used to measure fair value are as follows:

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

	Listed shares
Market quoted price	Closing price

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(e) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(f) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

F. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the year ended December 31, 2018:

	2018		
	Convertible bonds	Equity securities	Total
January 1, unadjust balance	$ -	$ -	$ -
Impact of version upgraded	8,929	628,114	637,042
January 1, adjusted balance	8,928	628,114	637,042
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(178,498)	(178,498)
Transfers out	(8,928)	8,928	-
Acquired in the period	-	165,075	165,075
Acquired from business combination	-	413,500	413,500
Effect of exchange rate changes	-	3,223	3,223
December 31,	$ -	$ 1,040,342	$ 1,040,342

H. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

I. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 1,040,342	Market comparable companies	Discount for lack of marketability	18.7%~55.1%	The higher the discount for lack of marketability, the lower the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets and liabilities categorised within Level 3, there is no significant impact to other comprehensive income on December 31, 2018 if the net asset value increase or decrease by 1%.

(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 liabilities 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) Available-for-sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

i. Accounts receivable

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.

ii. Investment in debt instrument without active market

(i) Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

a. Not designated on initial recognition as at fair value through profit or loss;

b. Not designated on initial recognition as available-for-sale;

c. Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(ii) On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using trade date accounting.

(iii) They are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(d) 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 of 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;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

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

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Financial asset measured at cost	Debt instrument without active market	Total	Effects: Retained earnings	Effects: Others equity
IAS 39	$ -	$ -	$ 628,506	$ 8,536	$ 637,042	$ -	$ -
Transferred into and measured at fair value through profit or loss	8,928	-	(392)	(8,536)	-	-	-
Transferred into and measured at fair value through other comprehensive income-equity	-	628,114	(628,114)	-	-	76,271	(76,271)
IFRS 9	$ 8,928	$ 628,114	$ -	$ -	$ 637,042	$ 76,271	($ 76,271)

i. Under IAS 39, because the equity instruments, which were classified as: financial assets at cost, amounting to $628,506, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $628,114, increased retained earnings and decreased other equity interest in the amounts of $76,271 and $76,271, respectively.

ii. Under IAS 39, because the cash flows of debt instruments, which were measured at cost financial assets at cost amounting to $8,928, do not meet the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at fair value through profit or loss" increase the amount of $8,928 in initial application of IFRS 9.

C. The significant accounts as of December 31, 2017 and for the year ended December 31, 2017 are as follows:

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

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Non-hedging derivatives	$ 318

i. The Group recognised net profit amounting to $2,763 on financial assets held for trading for the year ended December 31, 2017.

ii. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative instruments	December 31, 2017 Contract amount (notional principal) (thousand USD)	Contract period
Current items:		
Forward foreign exchange contracts	$ 4,000	2017/09~2018/02

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

iii. The Group did not pledge any financial asset at fair value through profit and loss as collateral.

(b) Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	$ -
Valuation adjustment for available-for-sale financial asset	-
Total	$ -

i. The Group recognised ($1,433,239) in other comprehensive income for fair value change and reclassified $1,470,129 from equity to profit or loss for the year ended December 31, 2017.

ii. As of December 31, 2017, no available-for-sale financial asset held by the Group were pledged to others.

(c) Financial assets at cost

Items	December 31, 2017
Current items:	
Convertible right	$ 392
Non-current items:	
Unlisted stock	$ 628,114

i. Based on the Group's intention, its investment in stocks and conversion options embedded in convertible corporate bonds should be classified as 'available-for-sale financial assets' and 'financial assets at fair value through profit and loss'. However, as the above stocks and conversion options are not traded in an active market, and no sufficient industry information of companies similar to the above company or above company's financial information can be obtained, the fair value of the investment in stocks and conversion options cannot be measured reliably. Thus, the Group classified those stocks and conversion options as "financial assets measured at cost".

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

(e) Investments in debt instruments without active markets

Items	December 31, 2017
Current items:	
Corporate bonds	$ 8,536

i. On April 9, 2016, the Group invested in the convertible corporate bonds issued by foreign unlisted companies. The bonds are with a total issuance amount of US$1,750 thousand dollars and a coupon rate of 6% and mature on October 30, 2016. The Group extended the maturity to October 30, 2018. The interest is payable at maturity. The bonds can be converted to corresponding common stocks based on the agreement if the investee companies reach an agreement before the maturity. The amount of the host debt contract was recognised as investments in debt instrument without active market and the amount of conversion options of convertible bonds was recognised as financial assets measured at cost. Details are provided in Note 12(4) C (c).

ii. As of December 31, 2017, no investments in debt instrument without active markets held by the Group were pledged to others.

D. Credit risk information for the year ended December 31, 2017 are as follows :

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(b) Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to subsidiaries of which the Company owns directly more than 50% ownership or affiliates of which the Company owns directly or indirectly more than 50% ownership and on which the Company has a significant influence. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

(c) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(d) The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6.

(e) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
Within 30 days	$ 620,448
31 to 120 days	127,430
	$ 747,878

(f) Movement analysis of impaired financial assets

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $99,177.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 290,917	$ 290,917
Reversal of impairment	-	(191,740)	(191,740)
At December 31	$ -	$ 99,177	$ 99,177

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

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

Revenue Recognition

A. The Group manufactures and sells electronic telecommunication component products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group 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 Group 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 Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sale quantities.

C. The revenue recognised by using above accounting policies for the year ended December 31, 2017 is $93,624,086.

D. The effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Accounts receivable	(a)	$ 13,363,457	$ 13,343,773	$ 19,684
Contract liabilities	(b)	624,287	-	(624,287)
Other current liabilities	(b)	1,224,087	1,848,374	624,287
Refund liabilities	(a)	19,684	-	(19,684)

Note: No impact to the current statement of comprehensive income on initial application IFRS 15.

(a) Expected sales discounts and allowances were previously presented as accounts receivable - allowance, and reclassified as refund liability under IFRS 15.

(b) Under IFRS 15, advance sale receipt in relation to customer contracts is recognised in contract liabilities, which is previously recognised in 'other current liabilities'.

13. SUPPLEMENTARY DISCLOSURES

For the investees' information, refer to investees' independent accountant attestation report.

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

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

14. Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Year ended December 31, 2018

Unit：NTD thousands dollars

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	$ 38,878,010	$ 36,382,185	$ 12,055,399	$ 595,367	$ -	$ 87,910,961
Revenue from Internal Customers	1,864,671	2,463,791	-	22,153	(4,350,615)	-
Segment Revenue	$ 40,742,681	$ 38,845,976	$ 12,055,399	$ 617,520	($ 4,350,615)	$ 87,910,961
Segment (Loss) profit	($ 571,869)	$ 686,113	$ 33,286	($ 21,006)	$ -	$ 126,524

Year ended December 31, 2017

Unit：NTD thousands dollars

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	$ 46,052,766	$ 36,089,658	$ 11,001,380	$ 480,282	$ -	$ 93,624,086
Revenue from Internal Customers	3,725,274	1,398,492	-	1,043	(5,124,809)	-
Segment Revenue	$ 49,778,040	$ 37,488,150	$ 11,001,380	$ 481,325	($ 5,124,809)	$ 93,624,086
Segment (Loss) Profit	$ 359,317	$ 434,272	$ 26,931	($ 19,555)	$ -	$ 800,965

Cheng Uei Precision Industry Co., Ltd.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	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 (Note 1)	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 3)	Footnote
													Item	Value			
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	Other receivables-related parties	Yes	$ 208,320	$ -	$ -	2	2	$ -	Operations	$ -	-	$ -	$ 4,380,555	$ 8,761,110	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd	〃	〃	217,511	129,688	129,688	-	2	-	〃	-	-	-	3,742,729	3,742,729	
1	Fugang Electric (Kunshan) Co., Ltd.	Fuqiang Electric (YANCHENG) Co.,Ltd.	〃	〃	46,840	35,776	35,776	-	2	-	〃	-	-	-	3,742,729	3,742,729	
1	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	〃	〃	58,550	-	-	-	2	-	〃	-	-	-	3,742,729	3,742,729	
1	Fugang Electric (Kunshan) Co., Ltd.	Foxlink TianJin Co., Ltd.	〃	〃	13,905	-	-	-	2	-	〃	-	-	-	3,742,729	3,742,729	
1	Fugang Electric (Kunshan) Co., Ltd.	Fu Shi Xiang Research & Development Center(Kun Shan)Co.,Ltd.	〃	〃	20,124	20,124	20,124	-	2	-	〃	-	-	-	3,742,729	3,742,729	
2	Studio A Inc.	Jing Sheng Technology Co., Ltd.	〃	〃	100,000	-	-	-	2	-	〃	-	-	-	166,818	166,818	
2	Studio A Inc.	ASHOP CO., LTD.	〃	〃	167,424	153,575	113,646	2	2	-	〃	-	-	-	166,818	166,818	
3	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	〃	〃	222,000	-	-	-	2	-	〃	-	-	-	114,430	114,430	
3	World Circuit Technology Co., Ltd.	Microlink Communications Inc.	〃	〃	64,000	-	-	-	2	-	〃	-	-	-	114,430	114,430	
3	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	〃	〃	87,000	-	-	-	2	-	〃	-	-	-	114,430	114,430	
3	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	〃	〃	157,286	111,188	111,188	-	2	-	〃	-	-	-	114,430	114,430	
4	Jing Jing Technology Co., Ltd.	Jing Sheng Technology Co., Ltd.	〃	〃	20,000	-	-	-	2	-	〃	-	-	-	3,186	3,186	
5	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	〃	〃	234,200	223,600	223,600	-	2	-	〃	-	-	-	236,220	236,220	
6	Neosonic Energy Technology (Tianjin) Ltd.	Foxlink TianJin Co., Ltd.	〃	〃	4,684	-	-	-	2	-	〃	-	-	-	176,662	176,662	
6	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	〃	〃	185,018	176,644	176,644	-	2	-	〃	-	-	-	176,662	176,662	
7	Kuenshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	〃	〃	107,732	2,236	2,236	-	2	-	〃	-	-	-	18,903	18,903	

Number	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 (Note 1)	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 3)	Footnote
													Item	Value			
8	FOXWELL ENERGY CORPORATION LTD.	Shinfox Co., Ltd.	〃	〃	134,000	134,000	-	Over 1 month, 1%	2	-	〃	-	-	-	134,819	269,638	
8	FOXWELL ENERGY CORPORATION LTD.	Power Quotient International Co., Ltd.	〃	〃	100,000	-	-	Over 1 month, 1%	2	-	〃	-	-	-	134,819	269,638	
9	Fu Uei International Investment Ltd.	Shinfox Co., Ltd.	〃	〃	25,000	-	-	2.62	2	-	〃	-	-	-	4,251,223	80,502,446	
9	Fu Uei International Investment Ltd.	Cheng Uei Precision Industry Co., Ltd.	〃	〃	$ 170,000	$ 170,000	$ 160,000	-	2	-	〃	-	-	-	$ 771,820	$ 771,820	
10	FOXLINK TECHNOLOGY	Cheng Uei Precision Industry Co., Ltd.	〃	〃	741,024	583,585	576,828	-	2	-	〃	-	-	-	905,496	905,496	
10	FOXLINK TECHNOLOGY LIMITED	CU INTERNATIONAL LTD.	〃	〃	110,074	105,092	105,092	-	2	-	〃	-	-	-	905,496	905,496	
10	FOXLINK TECHNOLOGY LIMITED	Microlink Communications Inc.	〃	〃	68,090	67,573	66,654	-	2	-	〃	-	-	-	905,496	905,496	
10	FOXLINK TECHNOLOGY LIMITED	Proconn Technology Co., Ltd.	〃	〃	92,850	92,145	90,607	-	2	-	〃	-	-	-	905,496	905,496	
11	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	〃	〃	975,870	357,760	134,160	-	2	-	〃	-	-	-	3,032,794	3,032,794	
11	Foxlink TianJin Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	〃	〃	421,560	357,760	357,760	-	2	-	〃	-	-	-	3,032,794	3,032,794	
11	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	〃	〃	388,772	-	-	-	2	-	〃	-	-	-	3,032,794	3,032,794	
11	Foxlink TianJin Co., Ltd.	FUGANG ELECTRIC (XUZHOU) CO.,LTD.	〃	〃	268,680	268,320	201,240	-	2	-	〃	-	-	-	3,032,794	3,032,794	
11	Foxlink TianJin Co., Ltd.	Fugang Electronic (Dongguan) Co., Ltd.	〃	〃	281,040	268,320	268,320	-	2	-	〃	-	-	-	3,032,794	3,032,794	
11	Foxlink TianJin Co., Ltd.	Fuqiang Electric (MAANSHAN) CO., LTD.	〃	〃	84,968	84,968	84,968	-	2	-	〃	-	-	-	3,032,749	3,032,749	
12	Power Quotient Technology (YANCHENG) Co., Ltd.	Jiangsu Foxlink New Energy Technology Co., Ltd.	〃	〃	468,600	447,200	447,200	-	2	-	〃	-	-	-	2,151,556	2,868,741	
13	Jiangsu Foxlink New Energy Technology Co., Ltd.	Donghai County Cheng Uei Travel Industry Co., Ltd.	〃	〃	70,162	-	-	-	2	-	〃	-	-	-	2,151,556	2,868,741	
14	Foxlink International Investment Ltd. (FII)	Cheng Uei Precision Industry Co., Ltd.	〃	〃	230,000	230,000	230,000	-	2	-	〃	-	-	-	1,601,318	1,601,318	
15	Studio A Technology Limited	AShop Co., Ltd.	〃	〃	30,950	-	-	-	2	-	〃	-	-	-	716,269	716,269	
15	Studio A Technology Limited	Studio A Inc.	〃	〃	92,145	92,145	-	-	2	-	〃	-	-	-	716,269	716,269	
16	Foxlink Image Technology.,Ltd	Power Quotient International Co., Ltd.	〃	〃	423,000	423,000	423,000	0.81-0.98	2	-	〃	-	-	-	647,297	863,062	

Number	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 (Note 1)	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 3)	Footnote
													Item	Value			
17	Glory Science Co.,Ltd	Glory Optics (BVI) Co.,Ltd.	〃	〃	306,750	306,750	-	3.00	2	-	〃	-	-	-	636,373	848,497	
18	GLORY OPTICS(BVI) CO., LTD.	Glory Photovoltaic (Suzhou) Co.,Ltd.	〃	〃	19,941	19,941	19,941	0-3	2	-	〃	-	-	-	2,151,556	2,868,741	
18	GLORY OPTICS(BVI) CO., LTD.	Yao Wei Photovoltaic (Yancheng) Co.,Ltd.	〃	〃	95,130	95,130	95,130	3.00	2	-	〃	-	-	-	2,151,556	2,868,741	
18	GLORY OPTICS(BVI) CO., LTD.	Glory Science Co.,Ltd.	〃	〃	153,950	153,950	92,370	-	2	-	〃	-	-	-	2,151,556	2,868,741	
18	GLORY OPTICS(BVI) CO., LTD.	Glory Optics (Yancheng) Co.,Ltd.	〃	〃	306,750	306,750	-	3.00	2	-	〃	-	-	-	2,151,556	2,868,741	
19	GLORY Photovoltaic (Suzhou) Co.,Ltd	Yao Wei Photovoltaic (Yancheng) Co.,Ltd.	〃	〃	318,010	318,010	318,010	5.00	2	-	〃	-	-	-	2,151,556	2,868,741	
20	Yao Wei Photovoltaic (Yancheng) Co.,Ltd	Glory Optics (Yancheng) Co.,Ltd.	〃	〃	306,750	306,750	-	5.00	2	-	〃	-	-	-	2,151,556	2,868,741	

Note 1: The numbers as follows represent the nature of loan:

a) Business transaction is labelled as “1”.

b) Short-term financing is labelled as “2”.

Note 2: Limit on loans granted to a single party is 20% of the Company’s net assets value.

Note 3: Ceiling on total loans granted to the company is 40% of the Company’s net assets value.

Cheng Uei Precision Industry Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 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 endorsements/ 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
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	An indirect wholly-owned subsidiary	$ 10,951,387	$ 1,405,200	$ 1,341,600	$ 1,341,600	$ -	6.13	$ 10,951,387	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	〃	8,761,110	464,250	460,725	37,567	-	2.10	10,951,387	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	〃	8,761,110	154,750	153,575	62,351	-	0.70	10,951,387	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	〃	8,761,110	1,238,000	1,228,600	294,043	-	5.61	10,951,387	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	〃	8,761,110	1,845,120	1,535,750	111,803	-	7.01	10,951,387	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd.	〃	8,761,110	1,238,000	1,228,600	23,036	-	5.61	10,951,387	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	FOXLINK INTERNATIONAL INCORPORATION	〃	10,951,387	1,002,780	995,166	772,144	-	4.54	10,951,387	Y	N	N	
1	Studio A Inc.	Studio A Technology Limited	Studio A Inc., subsidiary	8,761,110	291,840	-	-	-	0.00	10,951,387	Y	N	N	
1	Studio A Inc.	ASHOP CO., LTD.	〃	8,761,110	357,120	153,575	62,351	-	0.70	10,951,387	Y	N	N	
2	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Affiliates	10,951,387	1,285,524	1,227,340	1,227,340	-	5.60	10,951,387	Y	N	Y	
2	Fugang Electric (Kunshan) Co., Ltd.	KUNSHAN FUGANG ELECTRIC TRADING CO.,LTD.	〃	8,761,110	93,680	76,024	76,024	-	0.35	10,951,387	Y	N	Y	
3	Glory Science Co.,Ltd.	Glory Optics (Yancheng) Co.,Ltd.	Glory Science Co.,Ltd., subsidiary	3,585,927	174,630	174,630	-	-	2.50	3,585,927	Y	N	Y	
3	Glory Science Co.,Ltd.	Yao Wei Photovoltaic (Yancheng) Co.,Ltd.	〃	3,585,927	464,100	460,500	89,940	-	6.58	3,585,927	Y	N	Y	
4	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LIMITED	Glory Science Co.,Ltd., grand subsidiary	3,585,927	309,550	307,150	307,150	-	4.39	3,585,927	Y	N	N	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company's net assets value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company's net assets value.

For PQI, ceiling on total amount of endorsements and guarantees provided by PQI is 50% of PQI’s net assets value.

Note 2: The Company’s guarantee to others should not exceed 50% of the Company’s net assets.

PQI’s guarantee to others and subsidiaries should not exceed 50% of PQI’s net assets.